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1997-98

ANNUAL REPORT

**Public Works,
Supply and Services**

Alberta

PUBLIC WORKS,
SUPPLY AND SERVICES



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PREFACE

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Province of Alberta and the annual reports of each of the 18 ministries. Commencing this fiscal year, ministry annual reports required under the *Government Accountability Act* replaces volumes #2, #3 and #4 of the Public Accounts prepared in previous years.

The annual report of the Province of Alberta contains the consolidated financial statements of the province and a comparison of the actual performance results to desired results set out in the government's business plan, including a message from the Provincial Treasurer. The province's audited consolidated financial statements include the accounts of government entities consisting of ministries (all ministries combined form the General Revenue Fund), revolving funds, the Alberta Heritage Savings Trust Fund and other regulated funds, provincial agencies and Crown-controlled corporations.

This annual report of the Ministry of Public Works, Supply and Services contains the audited consolidated financial statements of the ministry and a comparison of actual performance results to desired results set out in the ministry's business plan, including a message from the Minister. The ministry's audited consolidated financial statements include the accounts of the Ministry of Public Works, Supply and Services, revolving funds, regulated funds, provincial agencies and Crown-controlled corporations for which the Minister is responsible. The financial statements of each of these component entities of the ministry are also included in this annual report.

This annual report includes, either as a separate report or as part of financial statements, the reports or statements prepared pursuant to the *Financial Administration Act*, to the extent that the ministry has anything to report. A summary of expenditures under each appropriation in the ministry, as required by the *Government Accountability Act*, is included in the financial statements of the ministry.



PWSS

Annual Report



PUBLIC WORKS, SUPPLY AND SERVICES

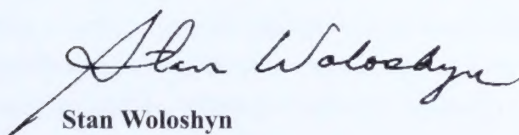
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STATEMENT OF ACCOUNTABILITY

The ministry's annual report for the year ended March 31, 1998, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at May 22, 1998 with material, economic or fiscal implications of which I am aware have been considered in the preparation of this report.



Stan Woloshyn

Minister

Public Works, Supply and Services

September 1998



MESSAGE FROM THE MINISTER

Who We Are

Public Works, Supply and Services (PWSS) is a central service agency whose mission is to facilitate government program delivery by providing quality, cost-effective common services and professional expertise.

As a common service ministry, PWSS supports the Alberta government's three top priorities – health, education and jobs – in the following ways:

Health – provides funding for the upgrading, construction and maintenance of quality health care facilities and the upgrading of seniors' lodges.

Education – provides funding for the upgrading, construction and maintenance of facilities required for the effective delivery of educational programs in the areas of vocational and early childhood services.

Jobs – fosters opportunities for Alberta businesses by using the private sector to provide construction, maintenance and information technology services and by ensuring that the Government of Alberta has a fair and accessible procurement system.

The ministry includes the Office of the Chief Information Officer (CIO), who reports directly to me. The CIO's 1997-98 annual report is in a separate section of this document.

A Look Back

Over the past year, PWSS identified seven major goals to support the Alberta government's business plan and provide the framework for the ministry's direction in 1997-98. The following are some of our major accomplishments over the past year.

We achieved approximately \$860,000 in net annual savings in shared data network costs by using updated technology. These savings positioned PWSS to accommodate extra growth in telecommunications usage across government without major budget increases. Government ministries also realized savings of more than \$2,700,000 on telecommunications services, such as long distance, Centrex and 1-800 service, as a result of our negotiating agreements that take advantage of volume discounts and reduced rates for deregulated telecommunications services in Canada.

PWSS represented Alberta's interests in the successful negotiations to extend open procurement obligations under the Agreement on Internal Trade to Canada's MASH (municipal organizations, school boards, and publicly-funded academic, health and social service entities) sector. This will provide significant new opportunities for Alberta suppliers and manufacturers.

We also led an inter-provincial team that successfully tendered and implemented the use of MERX, a new Internet-based electronic tendering service that replaced the Open Bidding Service (OBS) in October 1997. MERX will facilitate the Alberta government's obligations under the Agreement on Internal Trade, which supports openness and transparency in procurement practices.

We continued to seek joint accommodation opportunities between provincial ministries and federal and municipal entities. For example, under the *Labour Market Development Agreement*, PWSS worked closely with Advanced Education and Career Development and the federal government to establish shared accommodation to provide integrated services for employment seekers.

Our Seniors' Lodge Upgrading Program continued to proceed on schedule. This seven-year, \$102-million program provides safer, more comfortable homes for Alberta's senior citizens, extends the life expectancy of the buildings and improves the operating efficiencies of the facilities. Two years ago, the program received the Premier's Award of Excellence. PWSS also manages locally-funded projects on behalf of lodge foundations.

A Look Ahead

Under the direction of the Office of the Chief Information Officer and PWSS, a cross-government committee has been established to ensure that critical government computer systems are Year 2000 compliant and can accommodate dates beyond December 31, 1999. In fact, the Gartner Group, a leading industry consultant in information technology, considers several aspects of our approach "best-in-its-class" when compared with similar projects being conducted elsewhere. In the year ahead, one of our top priorities will be to continue working with other ministries to ensure the successful completion of the Year 2000 Project.

PWSS is also committed to supporting the government in addressing key issues identified in the Growth Summit held in September 1997. Two overarching issues, infrastructure and partnerships, are directly related to the ministry's mandate and goals. PWSS is also taking a leadership role in developing a provincial strategy for infrastructure preservation and expansion. We will also continue to develop partnerships with other levels of government and the private sector to more effectively support government program delivery and prosperity in Alberta.



Stan Woloshyn
Minister

MANAGEMENT'S RESPONSIBILITY FOR REPORTING

The Ministry of Public Works, Supply and Services includes the Department of Public Works, Supply and Services and the Public Works, Supply and Services Revolving Fund.

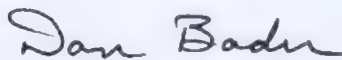
The Deputy Minister ensures the ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the ministry rests with the Minister of Public Works, Supply and Services. Under the direction of the Minister, the Deputy Minister oversees the preparation of the ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgements. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

In addition to program responsibilities, the Deputy Minister establishes and maintains the ministry's financial administration and reporting functions. The ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under ministry administration,
- provide Executive Council, Treasury Board, the Provincial Treasurer and the Minister any information needed to fulfill their responsibilities, and
- facilitate preparation of ministry business plans and annual reports required under the Government Accountability Act.



D. H. Bader, P. Eng.

Deputy Minister

Ministry of Public Works, Supply and Services

June 30, 1998

ORGANIZATIONAL CHART



Our Core Businesses

Public Works, Supply and Services (PWSS) is a central government agency responsible for providing government departments, boards and agencies with the services they need to deliver government programs. The ministry's responsibilities include constructing and maintaining capital infrastructure such as buildings, health care facilities, and major water resource management installations; providing accommodation; providing real estate services; delivering information technology and information management services; and acting as the central procurement and surplus disposal agency for the government.

As a common service ministry, PWSS touches on all three core businesses of government: people, prosperity and preservation.

PWSS facilitates services to people by providing government facilities and major water management installations and upgrading seniors' lodges to assist in delivering government programs and services. We contribute to Alberta's prosperity by providing cost-effective shared services to government, ensuring a fair and accessible government procurement system and providing innovative information and technology services. PWSS also preserves the tradition of pride in Alberta by directly providing or funding the upgrading, construction and maintenance of quality public facilities such as health care facilities, courthouses and museums.

The ministry provides services through four core businesses:

- Information Management and Technology Services
- Property and Supply Management
- Property Development
- Realty Services

(Details about these core businesses can be found further in the report)

These core businesses are assisted by four resource groups: Finance and Administration, Human Resources, Planning and Policy Development and Communications.

Finance and Administration

Finance and Administration provides the ministry with financial planning and analysis, budgeting, revenue and accounting services. The group is also responsible for preparation of financial statements, records and information management, and financial systems administration, as well as desktop and network support services. The Executive Director of Finance and Administration is the ministry's Senior Financial Officer and Chief Information Officer (CIO).

Throughout the 1997-98 fiscal year, Finance and Administration in conjunction with Human Resources played a key role in implementing, at both the cross-government and ministry levels, the new Alberta Government Integrated Management Information System (IM4GIS), which standardizes financial and human resource systems and reduces duplication. Along with other business areas within PWSS, Finance and Administration has dedicated resources to the cross-government IM4GIS project team and is leading the ministry's Re-engineering Initiatives and Systems Enterprise (RISE) team.

Human Resources

The Human Resources Division provides consulting services in the areas of staffing, classification of positions, employee relations, staff development, organizational analysis, restructuring, payroll and benefits administration, and occupational health and safety.

In support of the ministry's number one goal to train and develop employees to meet business needs, the division is leading the implementation of a Continuing Competency model that will ensure employee training and development focuses on requirements identified to meet the ministry's business needs. In 1997-98, the division led and coordinated the development of occupational competency profiles for all employees. These profiles set competency standards that will provide a base for establishing employee development plans. These occupational profiles will also be integrated into manpower planning and staffing activities throughout the ministry over the next year.

As part of the ministry's ongoing effort to provide the resources employees need to become competent in using all aspects of computer technology, Human Resources established a Software Support team in 1997-98 to coach all ministry employees in the use of standard and specialized software applications.

Planning and Policy Development

The Planning and Policy Development Branch, established in the fall of 1997, is responsible for providing specialized support to Management Committee and the ministry in areas of business planning, issues management, research and analysis, and stakeholder consultation. Responsibilities include coordination of policy, legislation and regulatory review and reform, and Freedom of Information and Protection of Privacy requests.

Communications

Communications provides and implements timely communications consulting expertise to and on behalf of the ministry. Its core businesses are consulting and planning, issues analysis and management, media relations and strategic writing.

In 1997-98, a major priority for Communications was improving internal communications to help ensure PWSS employees understand the core businesses and goals of the ministry. This included developing mechanisms for two-way communication as well as providing communications support strategies for programs/initiatives that build morale and wellness among employees.

The branch also coordinates public consultations and cross-government communications activities. Other responsibilities include operating the ministry's information line, maintaining the PWSS home page on the Internet, and coordinating PWSS library services with the Neil Crawford Provincial Centre Library, operated by the Ministry of Agriculture, Food and Rural Development.

MESSAGE FROM THE DEPUTY MINISTER

During the 1997-98 fiscal year, Public Works, Supply and Services (PWSS) implemented a number of initiatives to enable the ministry to meet the current and future needs of our customers. To address the growing importance of information technology (IT) in government, our information technology area initiated a project to restructure and was renamed Information Management and Technology Services (IMTS). The restructuring will enable us to enhance our support of cross-government technology initiatives such as developing a cross-government architecture for IT and ensuring critical government computer systems are Year 2000 compliant.

During the reporting year, PWSS invested \$98.7 million in health care facilities, \$20.2 million for seniors' lodge upgrading projects, \$101.9 million for the operation and maintenance of government facilities, \$27.5 million for water management projects and \$68.7 million in IT infrastructure. This was in keeping with the recommendations of the September 1997 Growth Summit where Albertans indicated that maintaining the government's infrastructure was a priority. In response, PWSS is undertaking a major program to assess the condition of some of the government's key assets and will be establishing a long-term capital plan to revitalize these assets. As well, we are making significant investments in electronic information and communication systems that will be essential to support future growth in the province.

Another significant initiative was the implementation of our employee Continuing Competency Program. We are at the forefront in government in terms of making employee development a priority. By continuing to invest in our employees, we will position ourselves to meet future business needs and challenges for the benefit of the ministry and government as a whole.

After PWSS achieved all four of its performance targets for 1996-97, the department continued to challenge itself by developing new results-oriented performance measurements. In 1997-98, we significantly increased the number of our key measures to 14. This is a major step in helping us to better assess our performance.

In addition to increasing the number of performance measures, as Deputy Minister, I challenged our four core businesses to "stretch" beyond what were considered "comfortable" performance targets. The purpose of these extremely ambitious goals was to encourage all of us to find new and better ways of doing business. Even though we may not have met all our "stretch" targets, we still made significant progress as a result of challenging ourselves to achieve these higher levels of performance. This indicates we are starting to think and do business in new ways. Also, as part of our three-year business plan, these targets have been established with a three-year perspective in mind. The intent is to continue working towards meeting these targets over the next three years. Details regarding the achievement of the individual performance measures are set out in the following pages.

Over the next three years, we will continue to “stretch” our levels of performance to ensure we are meeting our customers’ needs. This will mean enhancing and developing new methodologies to assess our performance and then ensure we are developing and implementing strategies that will enable us to improve our performance.

A handwritten signature in black ink that reads "Dan Bader". The signature is written in a cursive, flowing style.

D. H. Bader, P. Eng.
Deputy Minister

GOALS AND PERFORMANCE MEASURES

PWSS set out seven goals in its three-year business plan for 1997-2000 as well as 14 performance measures. These goals and measures were developed by reviewing the ministry from the perspective of the customer, as well as from the financial and internal business perspectives.

The seven goals are:

- Train and develop employees to meet business needs.
- Refine the responsibility and accountability framework for common services.
- Continue effective administration of records and information management.
- Provide services that meet or exceed customer requirements.
- Facilitate effective government program delivery by developing, managing and maintaining the government infrastructure.
- Ensure a fair and accessible procurement system.
- Minimize the cost of common services.

The 14 performance measures are:

- Operating cost per square metre
- Energy consumption in owned facilities
- Number of Alberta organizations tendering via MERX (Replacement to the Open Bidding Service (OBS))
- Number of Alberta businesses using MERX (Replacement to the Open Bidding Service (OBS))
- Procurement administrative costs
- Standing offer purchases as a proportion of all tendered purchases
- Property inventory

Customer satisfaction with:

- Information Technology services
- Telecommunications services
- Property Management services
- Procurement services
- Courier services
- Surplus Sales
- Project delivery services

The following sections explain the ministry's goals and measures in detail. The first section describes the goals and measures as they relate to each of the ministry's four core businesses. The next section deals with those goals that are supported by all the core businesses of PWSS.

OVERVIEW, GOALS, KEY ACTIVITIES AND RESULTS ANALYSIS BY CORE BUSINESS

Information Management and Technology Services

Overview

Information Management and Technology Services (IMTS) provides leadership in managing information technology and telecommunications for government ministries; operates the government's computing centres; manages shared telecommunications networks; administers information management legislation and policies; and supports the Office of the Chief Information Officer in the development and integration of government technology plans.

Information Management and Technology Services is reorganizing to provide these services through five business units and a support unit:

- **Customer Services and Strategic Planning** is the primary contact for customer ministries for IMTS services. Its roles include identifying short and long-term corporate, cross-government and ministry requirements and providing help desk and quality assurance services. The unit also focuses on corporate planning, which must be closely aligned with customer needs, and supports the Office of the Chief Information Officer in its initiatives. These initiatives include a cross-government architecture for information technology services and facilities.
- **Service Delivery and Operations** provides a range of computer processing and telecommunications network services to customer ministries. It also works as a broker with the private sector and establishes bulk agreements for services, including local telephone lines, cellular phone services and inter-city trunks.
- **Technology Services** provides central technical expertise to the other operating units of IMTS and other ministries. This unit also researches and develops new services required by customer ministries, including support for the government's increasing use of the Internet and other electronic means of conducting business.
- **Corporate Projects** provides project management support and leadership on specific cross-government initiatives such as the Year 2000 Project.
- **Records and Information Services** develops policies, procedures and training for handling records throughout the provincial government, including managing information in electronic form. The branch also provides a cross-government record storage service.

- **Business Information Services** provides business and fiscal planning, financial and human resource management and business information systems support to IMTS. The branch also analyzes performance results and coordinates financial, human resource and performance reporting within Information Management and Technology Services.

Goals and Key Activities in the Past Year

The business plan goals and key activities related to Information Management and Technology Services include:

Goal: Continue effective administration of records and information management.

- Sent information on Transitory Records (records of short-term value that can be routinely disposed of without having to be filed) to Senior Records Officers in each ministry for distribution to all employees in government. This was necessary because implementation of the *Freedom of Information and Protection of Privacy Act* makes it critical that employees understand how to properly identify and dispose of transitory records.
- Began a project to produce an updated retention and disposition schedule for records and information, including information on electronic media, commonly found throughout the government.

Goal: Facilitate effective government program delivery by developing, managing and maintaining the government infrastructure.

- Completed significant capacity upgrades to the shared data network at 48 locations across the province. These and other improvements were made to support the implementation of the Alberta Government Integrated Management Information System (IMAGIS) and to meet ministries' external data communications needs such as connection to the Internet. PWSS also upgraded the shared voice network to accommodate increased use of voice services such as the toll-free public access to government.
- Primarily through the Cross-Government Year 2000 Compliance Team, continued to work closely with ministries and the Chief Information Officer to ensure that government computer systems, especially those critical to key government programs, can accommodate dates beyond December 31, 1999.
- Implemented MailConnect, an electronic messaging hub, in response to government needs for improved inter-ministerial electronic communications. This new facility is compliant with new international standards and provides a solid platform for enhanced electronic business in the future.
- Started consolidating computing centres with the intent of reducing the number of centres from three to two. The consolidation will be completed in the fall of 1998 and will reduce costs while still meeting customer ministries' business needs.

- Introduced a service to provide remote management and customers/server facilities to meet ministries' business needs. IMTS also piloted a new data backup, recovery and software distribution service. Two ministries are now using the service and IMTS is ready to expand the service to other ministries on a cost recovery basis.
- Acted to take advantage of more competitive pricing in the telecommunications industry as a result of industry deregulation by the Canadian Radio-Television and Telecommunications Commission (CRTC). Through a competitive bidding process, IMTS awarded a contract for a high-speed connection to the Internet offering a higher speed performance connection at a two-year cost saving of \$88,600.

Goal: Minimize the cost of common services.

- Expanded a government-wide licence for database software to include the Regional Health Authorities (RHAs) resulting in improved licensing conditions and reduced costs for both the government and the RHAs. PWSS also initiated other agreements to offer customer ministries support and services at reduced costs through economies of scale.
- Realized significant cost savings through improvements to the shared data network taking advantage of newer and more cost-effective technologies. These improvements have yielded an approximate saving of \$860,000 per year in the delivery of services and will help PWSS accommodate extra growth in telecommunications usage across government without introducing major budget increases.
- Used volume discount agreements to realize significant cost savings for long distance, 1-800/888, and Centrex local telephone services. Recent rate reductions will provide an approximate 38 per cent reduction in costs to ministries and extended stakeholders for an annual cross-government saving of \$960,000 for 1-800/888 service and \$1,296,000 for long distance. Users of the government Centrex contract negotiated by PWSS receive an average 30 per cent volume discount, with resulting savings of \$489,000 a year.
- Continued to work with ministries to maximize cost-effective delivery of telecommunications services to their extended stakeholders through the private sector. Government bulk contracts and agreements for discounts with private sector service providers are now being used by most of the Regional Health Authorities and more than 100 school districts.

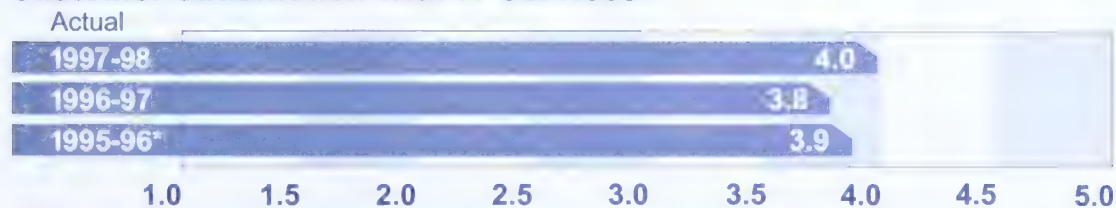
Results Analysis

Information Management and Technology Services (IMTS) identified the following measurements to assess its performance:

The satisfaction scale used in all of our surveys goes from 1 to 5, with 5 being very satisfied.

The Measure				
Customer Satisfaction with IT Services	1996-97 Actual	1997-98 Target	1997-98 Actual	1998-99 Target
	3.8	4.4	4.0	4.5

Customer Satisfaction with IT Services



*The Office of the Auditor General has not performed specified procedures on this 1995-96 measure.

This measure indicates satisfaction with various Information Technology (IT) services, such as software, availability, operations and support among customer departments, boards and agencies.

Methodology

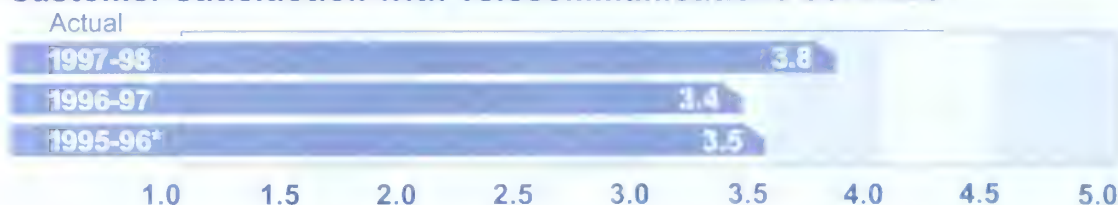
IMTS meets at least once a year with major ministry customers to review direction and information technology trends in each ministry and to assess PWSS' information technology services used by that ministry. As part of the assessment, we use a survey that includes a question on overall customer satisfaction. The responses to this question are used to calculate the average overall customer satisfaction with information technology services. We review both quantitative and qualitative interview and survey results twice a year. This process is key to identifying and quickly resolving any customer concerns relating to PWSS service delivery.

Relationship to Business Plan Goals

While not meeting the "stretch" target figure for 1997-98, our performance on this measure shows improvement over the 1996-97 figure. The results indicate that customer ministries are satisfied with the services provided and that IMTS has been successful in meeting changing ministry requirements.

The Measure				
Customer Satisfaction with Telecommunications Services	1996-97 Actual	1997-98 Target	1997-98 Actual	1998-99 Target
	3.4	4.0	3.8	4.1

Customer Satisfaction with Telecommunications Services



*The Office of the Auditor General has not performed specified procedures on this 1995-96 measure.

This measure indicates customer satisfaction with our telecommunications services as reported through annual customer surveys.

Methodology

We use formal written surveys covering a variety of specific services, such as cross-government voice, data and mobile radio networks and related bulk contracts, and including an overall customer satisfaction assessment. The surveys, which are mailed out once a year, complement customer meetings and planning sessions.

Relationship to Business Plan Goals

This measure helps assess PWSS' progress toward its goal of meeting or exceeding customer requirements. While the "stretch" target for this measure was not attained, the result for 1997-98 was a definite improvement over the previous year's result. Follow-up on the surveys has helped us enhance the customer consulting and project planning process and resulted in a closer working relationship with customers.

PWSS now places greater emphasis on frequent and ongoing contact with its telecommunications service customers. We have also enhanced our planning processes. For example, we have taken needs customers have identified and translated them into specific telecommunications projects that we have formally communicated to the customer ministries.

Property and Supply Management

Overview

Property and Supply Management operates and maintains government-owned properties; administers leased space; acts as the central procurement and surplus disposal agency for the government; provides air transportation services; and scheduled courier services. The area provides professional services to customer ministries, boards and agencies through three business units and two support groups:

- Three **Regional Property Management** units operate and maintain approximately two million square metres of space in 2,500 government-owned facilities across the province. The units cover the Edmonton and Area Region, North Region and South Region. Regional Property Management also provides contract administration for 500,000 square metres of leased space.
- The **Supply Division** is responsible for the centralized acquisition of materials, equipment and supplies; information technology systems development; and outsourcing services for the Alberta government. The unit also provides advisory services to customer ministries and Alberta suppliers; represents Alberta's interests in external and internal trade agreements as they relate to government procurement; disposes of surplus government materials; coordinates work under the Abandoned Vehicles Disposal Program; and coordinates scheduled courier services to government offices throughout the province.
- **Air Transportation Services** provides air travel services for government ministries on government-owned and chartered private aircraft. The priorities for use of government aircraft are situations involving threat to human life, environmental disasters, and required travel by Executive Council and ministries.
- The **Maintenance and Energy Support Group** works with facility managers to coordinate maintenance planning and energy management initiatives.
- **Business Information Services** provides business and fiscal planning, financial and human resource management and business information systems support to Property and Supply Management. The branch also analyzes performance results and coordinates financial, human resource and performance reporting within Property and Supply Management.

Goals and Key Activities in the Past Year

The business plan goals and key activities related to Property and Supply Management include:

Goal: Ensure a fair and accessible procurement system.

- Started posting all public tenders on the new Internet-based National Electronic Tendering Service (MERX), which replaced the Open Bidding Service (OBS) in October 1997. By expanding the number of contractors who have access to public tenders, this system enhances competition for tenders and improves delivery of services at the best possible cost.
- Represented Alberta's interests in the negotiations to extend coverage of the Procurement Chapter in the Agreement on Internal Trade to Canada's MASH (municipal organizations, school boards, and publicly-funded academic, health and social service entities) sector. The agreement, which supports openness and transparency in tendering procedures, will provide increased opportunity for Alberta businesses.
- Continued to promote the use of standing offers for the procurement of commonly used goods, such as computer hardware and software. With standing offers in place, ministries can order goods directly from vendors, saving the time and cost of handling individual tenders. In 1997-98, standing offer purchases represented 55 per cent of all tendered purchases by the Alberta government, compared to 14 per cent in 1992-93.

Goal: Minimize the cost of common services.

- Worked successfully with the Ministry of Environmental Protection on their initiative to outsource the Pine Ridge Tree Nursery to the private sector. The majority of the operation and maintenance of the facility has been outsourced as part of the initiative.

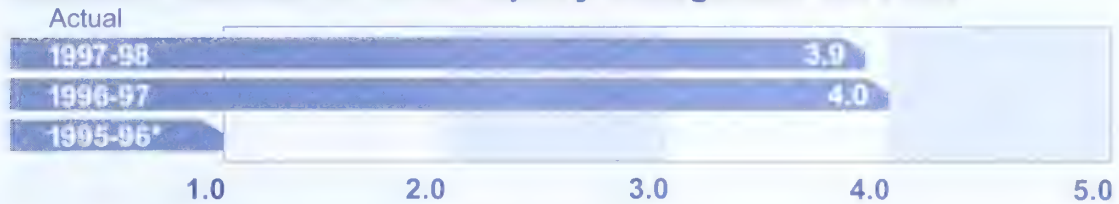
Results Analysis

Property and Supply Management identified the following measurements to assess its performance:

The satisfaction scale used in all of our surveys goes from 1 to 5, with 5 being very satisfied. Any ratings of less than 3 are followed up with the customer.

The Measure				
Customer Satisfaction with Property Management Services	1996-97 Actual	1997-98 Target	1997-98 Actual	1998-99 Target
	4.0	4.0	3.9	4.2

Customer Satisfaction with Property Management Services



*This measure was introduced in 1996-97.

This performance measure indicates customer satisfaction with Property Management services as reported through customer surveys.

Methodology

Twenty-five owned and leased facilities were randomly selected from locations across the province and surveyed. Generally, PWSS received three responses per facility. Some facilities with a single contact/user provided only one response. A minimum of 10 per cent of the facilities surveyed was leased space. The facilities were selected from three categories: 1,000 - 5,000 square metres; 5,000 - 10,000 square metres; and over 10,000 square metres.

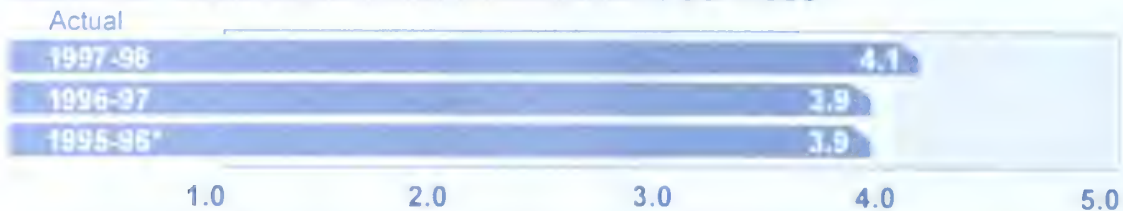
Relationship to Business Plan Goals

This measure supports the ministry's goal to provide services that meet or exceed customer requirements.

The strategy to increase customer satisfaction includes follow-up meetings with the customers surveyed to address their concerns; providing services that are suitable to the customers' needs; and being proactive in anticipating those needs.

The Measure				
Customer Satisfaction with Procurement Services	1996-97 Actual	1997-98 Target	1997-98 Actual	1998-99 Target
	3.9	4.2	4.1	4.3

Customer Satisfaction with Procurement Services



*The Office of the Auditor General has not performed specified procedures on this 1995-96 measure.

This performance measure provides an indication of customer satisfaction with the services provided by Acquisitions.

Methodology

In addition to annual meetings with customers, the Supply Division sent customer satisfaction surveys to ministries to measure their satisfaction with acquisitions services. The surveys measured the importance of customer satisfaction with various aspects of purchasing services. In addition, we asked customer ministries to provide a single overall satisfaction rating for the purchasing services they received.

Relationship to Business Plan Goals

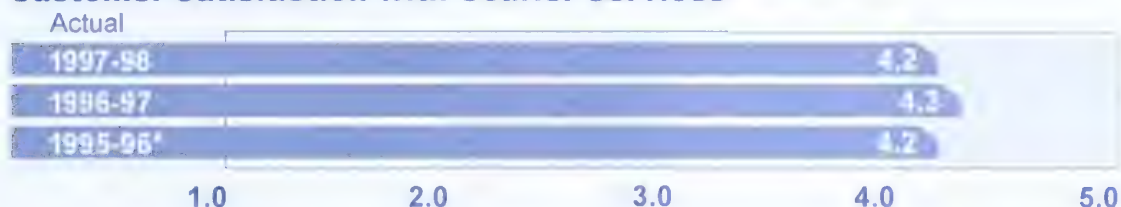
This measure supports the ministry's goal to provide services that meet or exceed customer requirements.

We did not meet our target primarily because customers were not satisfied with their electronic access to information about products on standing offers.

Implementation of a new purchasing system is expected to improve communications between users and the Acquisitions group and will facilitate easier access to standing offers and other aspects of the electronic marketplace. Also, the Supply Division has commissioned a project with an external consultant to review existing processes that interface between PWSS and ministry purchasing and to prepare recommendations to improve these processes. These recommendations will address automated process improvements, policy opportunities and manual process improvements to complement the new purchasing system.

The Measure				
Customer Satisfaction with Courier Services	1996-97 Actual	1997-98 Target	1997-98 Actual	1998-99 Target
	4.3	4.4	4.2	4.5

Customer Satisfaction with Courier Services



*The Office of the Auditor General has not performed specified procedures on this 1995-96 measure.

This performance measure provides an indication of customer satisfaction with the courier services provided by Central Delivery and Courier.

Methodology

PWSS distributes customer satisfaction surveys twice a year to a random selection of individuals at mail drop points throughout the province. No drop point is surveyed more than once a year. The survey covers satisfaction with staff, delivery drivers and services provided. We also ask survey participants to provide an overall assessment of services, which we use to determine and report on performance.

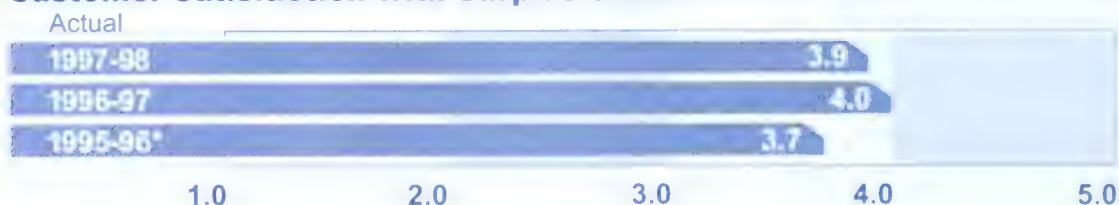
Relationship to Business Plan Goals

This measure supports the ministry's goal to provide services that meet or exceed customer requirements.

In general, customers were not totally satisfied with the timeliness of mail deliveries. PWSS will continue to monitor the performance and timeliness of deliveries between offices throughout the province. In rural drop locations, communication with customers will be increased to address specific instances of misdirected and delayed material.

The Measure				
Customer Satisfaction with Surplus Sales	1996-97 Actual	1997-98 Target	1997-98 Actual	1998-99 Target
	4.0	3.9	3.9	4.0

Customer Satisfaction with Surplus Sales



*The Office of the Auditor General has not performed specified procedures on this 1995-96 measure.

This performance measure provides an indication of customer satisfaction with the surplus disposal services provided by Surplus Sales.

Methodology

PWSS distributes customer satisfaction surveys twice a year to a random selection of surplus agents and declaring officers. No one is surveyed more than once a year. The survey covers satisfaction with staff, agents, services and processes. We ask survey participants to provide an overall assessment of services, which we use to determine and report on performance.

Relationship to Business Plan Goals

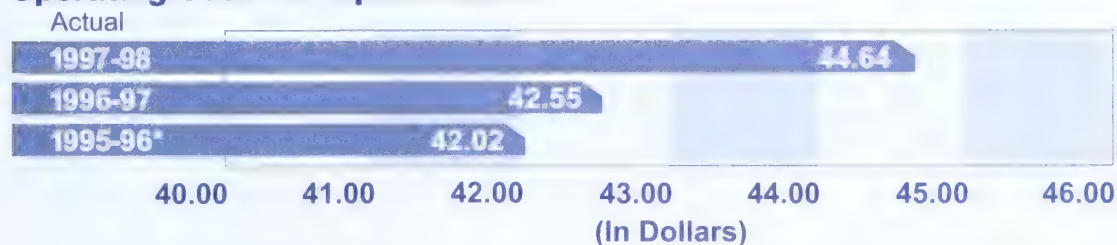
This measure supports the ministry's goal to provide services that meet or exceed customer requirements.

The electronic On-line Surplus Sales System (OSSI) was created to streamline the processing of surplus material sales for government departments, boards and agencies. This system is available through the PWSS Cross-Government Systems Bulletin Board Service (CGSBBS). In general, users were not fully satisfied with the way the system worked or with its accessibility.

PWSS has met with the users over the past year and incorporated their feedback into a new version of OSSI that will be on the government web site. It is anticipated that the new On-line Surplus Sales System will increase customer satisfaction ratings.

The Measure				
Operating Cost Per Square Metre	1996-97 Actual	1997-98 Target	1997-98 Actual	1998-99 Target
	\$42.55	\$44.63	\$44.64	\$43.50

Operating Cost Per Square Metre



*The Office of the Auditor General has not performed specified procedures on this 1995-96 measure.

This performance measure is defined as the annual average operating cost for owned space managed by PWSS. The figures are obtained from PWSS, Building Management Information System (BMIS) and PWSS, Property Data System (PDS).

Methodology

Operating costs, which are maintained in PWSS' Building Management Information System (BMIS), comprise 1997-98 actual expenditures for all property management-related costs. To be consistent with industry practice, this measure has been refined to include all direct property management costs associated with the day-to-day operation and maintenance of facilities divided by rentable area. Future targets reflect reinvestment in the government infrastructure to continue to maintain facilities at an acceptable level.

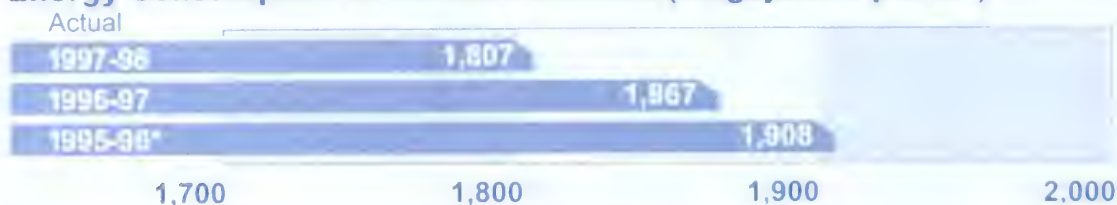
Relationship to Business Plan Goals

This measure supports the ministry's goal to facilitate effective government program delivery by developing, managing and maintaining the government infrastructure. We have been successful in maintaining the infrastructure and have achieved our 1997-98 target.

The Measure

Energy Consumption in Owned Facilities (Megajoules per m ²)	1996-97 Actual	1997-98 Target	1997-98 Actual	1998-99 Target
	1,867	1,876	1,807	1,844

Energy Consumption in Owned Facilities (Megajoules per m²)



(Megajoules per m²)

*The Office of the Auditor General has not performed specified procedures on this 1995-96 measure.

This measure shows the average energy consumption in owned facilities over a 12-month period and is an indicator of how effectively PWSS is minimizing the environmental impact of operations. The figures are obtained from PWSS, Building Management Information System (BMIS).

Methodology

PWSS electronically tracks and measures monthly and annual energy costs and consumption. Costs are measured using a Building Energy Performance Index (BEPI) that is consistent with industry practice. The BEPI converts various energy consumption measures to one common unit (megajoule). The BEPI factors in weather variances to allow comparisons from year to year and month to month for each facility.

Relationship to Business Plan goals

This measure supports the ministry's goal to minimize the environmental impact of operations by reducing natural gas and power consumption while facilitating effective government program delivery by developing, managing and maintaining the government infrastructure. The target was met in that actual energy consumption was below the 1997-98 target of 1,876 megajoules per square metre.

The Measure				
Number of Alberta Organizations Tendering via MERX (Replacement to the Open Bidding Service (OBS))	1996-97 Actual	1997-98 Target	1997-98 Actual	1998-99 Target
	20	75	45	100

Number of Alberta Organizations Tendering via MERX (Replacement to the Open Bidding Service (OBS))



* This number reflects the use of OBS only. MERX became available in 1997.

** The Office of the Auditor General has not performed specified procedures on this 1995-96 measure.

This performance measure shows the number of Alberta government ministries, agencies and other public sector organizations posting their purchasing and contracting opportunities for the private sector on the electronic tendering service previously called Open Bidding Service (OBS). The Open Bidding Service was replaced by MERX, an Internet-based system, in October 1997.

Methodology

The number of organizations is obtained directly from the electronic tendering system. Organizations must register and obtain user identification for all buyers posting opportunities on the system. Each registered buying entity represents an Alberta organization using the service.

Relationship to Business Plan Goals

In line with the ministry's goal to ensure a fair and accessible procurement system, this measure provides an indicator of the overall acceptance in the Alberta public sector of the transparent and non-discriminatory tendering provisions set out in Chapter 5 of the Agreement on Internal Trade.

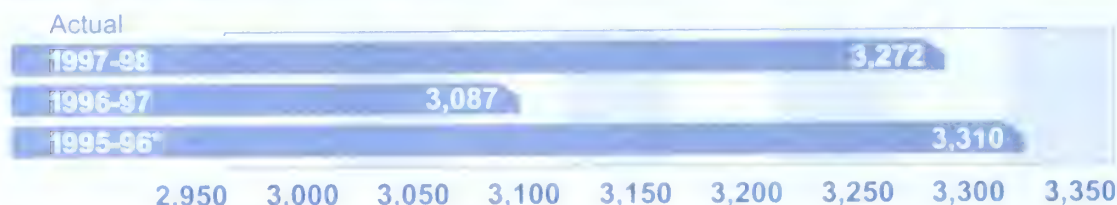
The variance between the 1997-98 Target and Actual was primarily due to the retirement of the Open Bidding Service (OBS) in October 1997 and the transition period for implementing the MERX tendering system. The MERX system is an Internet-based one-window national electronic tendering service.

Also, the targets in the 1997-98 Business Plan were predicated on implementation of the MASH sector procurement agreement in December of 1997. Implementation of the agreement has been rescheduled to July 1999, which hampered efforts to achieve the target.

The Measure

Number of Alberta Businesses Using MERX (Replacement to the Open Bidding Service (OBS))	1996-97 Actual	1997-98 Target	1997-98 Actual	1998-99 Target
	3,087	4,100	3,272	4,100

Number of Alberta Businesses Using MERX (Replacement to the Open Bidding Service (OBS))



*The Office of the Auditor General has not performed specified procedures on this 1995-96 measure.

This performance measure shows the number of Alberta businesses accessing contracting opportunities for the private sector on the electronic tendering service previously called Open Bidding Service (OBS), which was replaced by MERX, an Internet-based system, in October 1997. The one-window service is accessible to all businesses.

Methodology

The number of Alberta businesses is obtained directly from the electronic tendering system. Businesses must register with the service and pay usage charges in order to obtain government solicitation documents.

Relationship to Business Plan Goals

Consistent with the ministry's goal to ensure a fair and accessible procurement system, this measure provides an indication of the level of interest and satisfaction among the Alberta supplier community with respect to accessing government procurement opportunities electronically.

The variance between the 1997-98 Target and Actual was primarily due to the retirement of the Open Bidding Service (OBS) in October 1997 and the transition period for implementing the MERX tendering system. The MERX system is an Internet-based one-window national electronic tendering service.

Also, the targets in the 1997-98 Business Plan were predicated on implementation of the MASH sector procurement agreement in December of 1997. Implementation of the agreement has been rescheduled to July 1999, which hampered efforts to achieve the target.

The Measure				
Procurement Administrative Costs %	1996-97 Actual	1997-98 Target	1997-98 Actual	1998-99 Target
	1.2	1.5	0.9	1.2

Procurement Administrative Costs %



*The Office of the Auditor General has not performed specified procedures on this 1995-96 measure.

This performance measure shows the administrative costs for procurement services expressed as a percentage of total goods and services purchased. Lower values indicate improved efficiency achieved by reducing operating costs in proportion to the value of purchases. This is an industry standard measure, although various procurement organizations may include different costs and transaction types.

Methodology

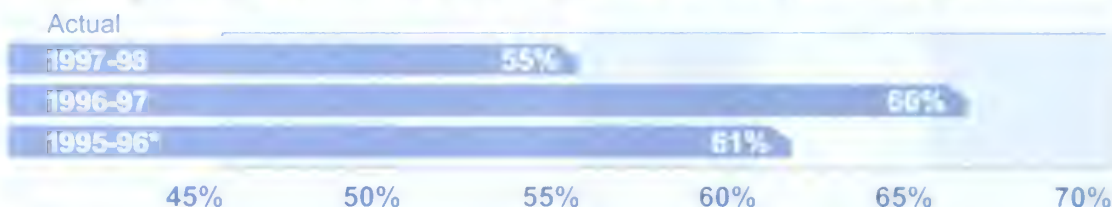
This measure is calculated by dividing the operating costs of providing central acquisitions services by the value of all purchases made on behalf of customer ministries, including the value of standing offers. The total value of goods and services purchased does not include direct purchases made by ministries using the Government Procurement Card or Direct Purchase Orders that are not related to standing offers.

Relationship to Business Plan Goals

This measure is an indicator of an effective and efficient procurement system, which is related to the ministry's goal to ensure a fair and accessible procurement system. The target was not only met but exceeded. This was a result of an increase in demand for goods by user ministries and a decrease in operating costs. This goal supports Alberta's market-oriented business philosophy and the Agreement on Internal Trade.

The Measure				
Standing Offer Purchases as a Proportion of All Tendered Purchases	1996-97 Actual	1997-98 Target	1997-98 Actual	1998-99 Target
	66%	60%	55%	61%

Standing Offer Purchases as a Proportion of All Tendered Purchases



*The Office of the Auditor General has not performed specified procedures on this 1995-96 measure.

This performance measure shows the value of purchases made through standing offers in relation to total tendered purchases. Standing offer purchases are more economical to administer than individual tenders for each purchase. They also provide ministries with direct access to suppliers. Standing offers are generally tendered every one to three years.

Methodology

This measure is calculated by dividing the value of purchases made through standing offer by the total value of standing offer and tendered purchases. The result is then converted to a percentage.

Relationship to Business Plan Goals

Consistent with the ministry's goal to ensure a fair and accessible procurement system, the Supply Division extended the use of standing offers, providing ministries with a wider selection of products and increased access to suppliers.

Although the target was not met, the availability of products on the standing offer program remained fairly constant. The reduction in the value of standing offer purchases compared to the value of all purchases reflects a significant increase in ministerial spending on unique business requirements in 1997-98. We will be reviewing different methodologies to identify customer needs in the future.

Property Development

Overview

Property Development works with customer ministries, boards and agencies to provide, preserve and upgrade capital infrastructure including government and health care facilities, seniors' lodges and water management facilities. The area's responsibilities include facility and accommodation planning, project management, and professional and technical services.

Property Development operates through three business units and three support groups:

- The **Health Facility Projects Division** manages the provincial government's health facility construction program. The division, in consultation with Alberta Health, works with Regional Health Authorities (RHAs) to assess their existing facilities, develop long-term capital plans, plan for required new projects and manage the planning and construction of approved health facility projects. After the RHAs submit their capital plans and proposals for new projects, the division works closely with Alberta Health to assess the proposals against provincial capital planning guidelines to determine the priority of each project in relation to available funds.
- The **Civil Projects Division** provides technical and management services for rehabilitation and upgrading of existing water management infrastructure, and designing and constructing new projects; providing municipal services on government-owned sites; and remediating contaminated sites. Projects include water supply and distribution systems, sewage collection systems, legal surveys, demolitions, environmental assessments, site restitutions, large dams and canals and related environmental impact assessments, regulatory approvals, and mitigation works.
- The **Capital Projects Division** works with customer ministries, boards, agencies and other stakeholders to plan and develop the government's capital infrastructure, including all government accommodation. Services include planning, project management and provision of professional/technical expertise required to deliver and administer building construction, tenant improvements and seniors' lodge upgrading projects.
- The **Technical Resources and Standards Division** provides professional and technical support for the planning, design, documentation, tendering, construction, operation and maintenance of government-funded facilities. Areas of responsibility include facility condition analyses, technical investigations, contracts, specifications, tender administration, and standards and advisory services for the design and technical performance of government facilities.
- The **Cost Management Branch** provides project budgeting, cost planning, forecasting and value management services for the ministry's overall capital construction and civil projects programs. As well, the branch provides cost advisory services on an ad hoc basis to other provincial government ministries, boards, agencies and commissions.

- **Business Information Services** provides business and fiscal planning, financial and human resource management and business information systems support to Property Development. The branch also analyzes performance results and coordinates financial, human resource and performance reporting within Property Development.

Goals and Key Activities in the Past Year

The business plan goals and key activities related to Property Development include:

Goal: Refine the responsibility and accountability framework for common services.

- Prepared and released the annual *Accommodation Costing Report* to raise customers' awareness of the accommodation costs incurred on their behalf. This report is part of continuing efforts by PWSS to increase accountability across government while appropriately addressing government accommodation needs. The *Accommodation Costing Report* helps customer ministries determine overall program costs and supports related planning activities.
- Participated in benchmarking initiatives with other governments with respect to building and space utilization. Results will be used to establish the core benchmarks for assessing the cost effectiveness of PWSS activities.

Goal: Facilitate effective government program delivery by developing, managing and maintaining the government infrastructure.

- Worked closely with other ministries and stakeholders, including the Ministry of Environmental Protection and the Regional Health Authorities, to evaluate the condition of government-owned health care facilities and water management infrastructure. PWSS maintains an electronic database of facility condition information to identify maintenance and rehabilitation priorities and long-term funding requirements. In 1997-98, PWSS also provided assistance to Alberta Municipal Affairs on the evaluation of their social housing portfolio to assist them in establishing priorities and funding requirements.
- In 1997-98, the government announced that design and construction would proceed on the following six new health facility projects:

Calgary Regional Health Authority

- Airdrie, new community health centre \$ 3,100,000

Capital Health Authority

- Royal Alexandra Hospital, new neonatal intensive care unit \$ 8,500,000
- University of Alberta Hospitals, consolidation/expansion of adult intensive care and burn units \$ 7,900,000
- University of Alberta Hospitals, emergency department redevelopment \$ 12,300,000

Northwestern Health Services

- La Crete, new long-term care facility \$ 5,700,000

Westview Regional Health Authority

- Stony Plain, health centre replacement \$ 18,000,000

- Continued construction on the Pine Coulee Project located near Staveland. This water management project calls for the construction of a dam and reservoir which, when completed, will provide a continuous supply of water for residential, municipal and agricultural use. A total of \$12.6 million was spent on construction during 1997-98 and the project is now 58 per cent complete. Filling of the reservoir is expected to begin in the spring of 1999.
- Presented the environmental, social and economic impact assessment for the proposed Little Bow Water Management Project to the joint Federal/Provincial Review panel. The purpose was to seek approval of the province's applications to construct a dam and reservoir on the Little Bow River to address water quality and supply problems in the area by enlarging the existing Little Bow Diversion Canal at High River and by constructing a diversion on Mosquito Creek and canal at Clear Lake. The panel, composed of representatives of the Natural Resources Conservation Board and the Canadian Environmental Assessment Agency, completed its hearing in January 1998. A decision is expected in late spring.
- Significant progress was made on two other major provincial water management projects:
 - Work on the St. Mary Dam Spillway Replacement Project is now 20 per cent complete. The St. Mary dam and reservoir delivers water to half a million acres of irrigated land and to numerous communities and businesses in southern Alberta. The 50-year-old spillway is being replaced. Completion is scheduled for the fall of 1999.

To ensure that significant short- and long-term benefits accrue to the local community, an innovative approach to the management of this project is being implemented. Blood Tribe members from the adjacent reserve are being given the first right of refusal on at least 60 per cent of the labour and 100 per cent of suitable equipment owned by tribe members. Since the spillway structure contract began in August, 1997, 67 per cent of the total hours worked have been offered to Blood Tribe members.

- Completed tender documents for the replacement of the 50-year-old East Arrowwood Siphon on the Carseland-Bow River Headworks System. This system supplies water to 215,000 acres of irrigated land, to eight communities and to numerous industries.
- Continued to implement the Fuel Tank Program which was conceived after PWSS raised questions about the government maintaining its own fuel operations. A multi-ministry task force chaired by PWSS recommended that 376 (60 per cent) of the government's storage tanks be eliminated in favour of private sector service using a card lock system. The remaining systems are being made more efficient and more environmentally safe through various measures.

The program has resulted in cost savings of approximately \$7 million dollars to date by removing rather than upgrading tanks to comply with new regulatory requirements. Also, the removal of aging tanks has yielded significant benefits to the environment and quality of life. Private retailers, mainly in rural locations, benefited directly from opportunities to supply fuel to government operations, while the government reduced waste by eliminating fuel operations in those areas.

Goal: Minimize the cost of common services.

- Continued to support Alberta government initiatives to improve energy efficiency and reduce emission of greenhouse gases by providing energy audits; developing standards for renovating medical gas systems in hospitals to reduce electrical energy consumption and eliminate use of water; and providing support to the government's Action Plan on Climate Change.
- Continued to seek joint accommodation opportunities between provincial ministries and federal and municipal entities. For example, under the *Labour Market Development Agreement*, PWSS worked closely with Advanced Education and Career Development and the federal government to establish shared accommodation to provide integrated services for employment seekers.

Also, PWSS developed a new \$1.7 million crop research facility in Lacombe in partnership with the Barley Commission, which has committed \$500,000 to the project. This project provided an opportunity to maximize use of a specialized facility and facilitate cross-fertilization in research activities.

Initiatives such as these provide more coordinated and integrated services to the customer and reduce overlap and duplication across governments. They also provide benefits in terms of improved use of space.

- Implemented several new approaches to doing business based on successful private sector models. For example, PWSS is working closely with the private sector to develop a new research facility in Calgary for the Alberta Research Council. The facility will be financed, built and maintained by the private sector, but the agreement will provide the government with the option to purchase the facility in the future.

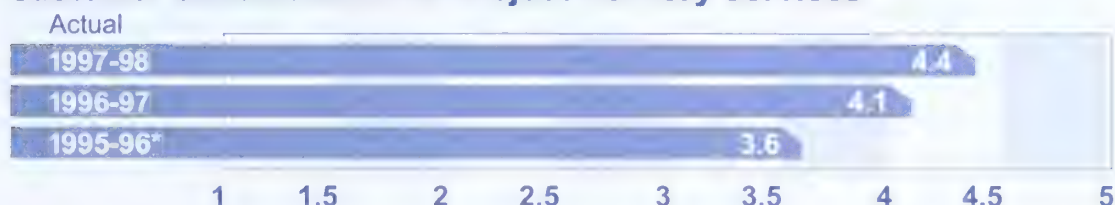
Results Analysis

Property Development identified and developed the following measures to assess its performance:

The satisfaction scale used in our survey goes from 1 to 5, with 5 being very satisfied.

The Measure				
Customer Satisfaction with Project Delivery Services	1996-97 Actual	1997-98 Target	1997-98 Actual	1998-99 Target
	4.1	4.2	4.4	4.3

Customer Satisfaction with Project Delivery Services



*The Office of the Auditor General has not performed specified procedures on this 1995-96 measure.

This measure indicates satisfaction with project delivery services among customer ministries, boards, agencies and other stakeholders for projects including tenant improvements and capital projects. The figures were obtained from customer satisfaction surveys.

Methodology

A representative sample of customers is selected to complete satisfaction surveys and evaluate performance throughout the year. The surveys provide feedback on the project, the processes and on the performance of the ministry in planning and delivering the project. Surveys are distributed to customer ministries ensuring that, where possible, at least two surveys are received from each customer ministry and for each project manager.

Each survey asks specific questions related to project management and scheduling, professional and technical services, and communication and responsiveness. Customers are also asked to suggest ways of improving performance. For 1996-97 and 1997-98, customers were asked to provide a rating of their overall satisfaction with project delivery services.

The surveys cover 15-20 per cent of the capital projects completed during the year.

Relationship to Business Plan Goals

Actual performance for 1997-98 exceeded the established target of 4.2. The survey was modified in 1997-98 to focus on project implementation, and the results reflect the relatively high level of satisfaction that has been achieved over the last three years.

This level of satisfaction is consistent with our ongoing efforts to be a more responsive, efficient organization while delivering services with a balanced consideration of appropriate standards, quality, quantity and cost.

The Measure				
Property Inventory (000s Square Metres)	1996-97 Actual	1997-98 Target	1997-98 Actual	1998-99 Target
Owned	1982	1775	1901	N/A
Leased	465	486	452	N/A

Property Inventory Owned and Leased (000s Square Metres)



*The Office of the Auditor General has not performed specified procedures on this 1995-96 measure.

This measure indicates the rentable area of owned and leased property used to accommodate customer ministries, boards and agencies. It includes office and warehouse space as well as special space such as courthouses and correctional, research and educational facilities. Rentable area is the standard industry measure for identifying space occupancy.

Methodology

Property Data System, a computerized data base of all space owned or leased by PWSS, provides this information. Data in the system is updated from information provided by project managers at the completion of each capital project and from property agents on the sale or disposition of property.

Relationship to Business Plan Goals

This measure tracks the level of property inventory held on behalf of the Government of Alberta and reports on the success of initiatives undertaken to consolidate government accommodation.

In developing the property inventory targets for 1997-98, continued reduction in government operations as well as further dispositions of government facilities and leases were anticipated. As actual property inventory reductions and dispositions were less than forecast, actual performance for 1997-98 has not met established performance targets.

This measure was established during a period of space consolidation and was an indicator of effective management of the government property portfolio at the time. However, much of the consolidation has been completed and the focus has changed to maintaining and reinvesting in existing facilities to meet present and future accommodation requirements.

The ministry is currently investigating replacing this measure.

Realty Services

Overview

Realty Services provides real estate services and technical expertise to government ministries and, on a request basis, to boards and agencies throughout the province. This area negotiates and documents agreements for leased space and for the purchase and sale of properties. It also handles related land planning issues. It provides these services through three business units and one support group:

- The **Leasing Branch**, in the role of Landlord and Tenant, negotiates and documents lease agreements. In 1997-98, on behalf of government ministries, the branch had a portfolio of more than 1,200 leases. The province was a tenant under 519 of these leases, for a total cost of \$71 million. For the balance of the leases, the province was the landlord. In support of this lease portfolio, the branch handled over 580 negotiation transactions last year. In addition, the branch provided services to various boards and agencies through the completion of 80 transactions.
- The **Land Acquisition Branch** negotiates land purchases and sales for most program ministries. In addition, the branch is responsible for planning, evaluation and documentation related to the acquisition and granting of property interests such as land use agreements, easements and rights of way. The branch also provides land planning referrals, appraisals and other land planning services to program ministries and for the Edmonton and Calgary Transportation and Utility Corridors program.
- The **Transportation and Utility Corridors Acquisition Branch** negotiates, documents and administers the purchase and sale of land for the Edmonton and Calgary Transportation and Utility Corridors. The branch is also responsible for the acquisition and granting of easements and rights-of-way in both transportation and utility corridors.
- **Business Information Services** provides business and fiscal planning, financial and human resource management and business information systems support to Realty Services. The branch also analyzes performance results and coordinates financial, human resource and performance reporting within Realty Services.

Goals and Key Activities in the Past Year

The business plan goals and key activities related to Realty Services include:

Goal: Provide services that meet or exceed customer requirements

- Continued to manage land acquisition issues including the resolution of outstanding expropriation agreements for the Edmonton and Calgary Transportation and Utility Corridors program.

Goal: Facilitate effective government program delivery by developing, managing and maintaining the government infrastructure.

- Contributed to the ministry's program delivery initiatives by providing land acquisition expertise including:
 - Completion of land purchases required for the Buffalo Lake Stabilization Project. This involved successfully completing land purchases with 55 landowners representing 80 per cent of the project land requirements and successfully implementing alternative strategies to acquire the remaining land required for the project.
 - Completion of two remaining purchases to finalize acquisition requirements for the Pine Coulee Water Management Project, now under construction.
 - Continuation of land acquisition on the Little Bow Water Management Project, including successfully completing 13 land purchases for the project in the 1997-98 fiscal year.
 - Completion of land purchases for the East Arrowwood Syphon Project on the Carseland-Bow River Headworks System.
 - Completion of a number of land acquisition projects for Environmental Protection programs.

Goal: Minimize the cost of common services.

- Contributed to a number of ministerial initiatives including:
 - Continuing to reduce the amount and cost of leased space for government programs. In 1997-98, PWSS reduced its leased space inventory by 21,495 square metres for an estimated annual rental savings of \$2.8 million.
 - Negotiation of a turnkey lease for Alberta Health in which complete accommodation systems, components, furniture and equipment were included as part of the lease. This type of arrangement enhances flexibility in meeting customers' requirements and defrays project costs over the full term of the lease. In addition, these partnerships are efficient in meeting accommodation needs.

Results Analysis

Realty Services was part of Property Management before being established as a separate core business in September 1997. Therefore it does not have separate performance measures for 1997-98. Performance measures are being developed.

CROSS-MINISTRY GOALS

Key Activities in the Past Year

The following common business plan goals were supported by all core businesses within the ministry, through the following key activities:

Goal: Train and develop employees to meet business needs.

- Identified 12 core competencies for all employees in PWSS.
- Established 30 Occupational Profiles that include the core competencies as well as unique or specific operational and technical competencies for each occupational group. In future, these occupational profiles will be used in staff training and development, recruitment, career planning, succession planning, manpower planning and performance management.
- Increased the emphasis on training and coaching staff by establishing a Software Support Team and providing computer-based training that is available to all employees at their desks.

Results Analysis

Performance measures for this goal are being developed.

Goal: Provide services that meet or exceed customer requirements.

- Continued to measure customer satisfaction with various PWSS services and used the results of surveys to help make business decisions to improve customer satisfaction. For example, as a result of feedback from customer satisfaction surveys, we improved our project delivery services by enhancing information provided to our customers through holding additional meetings and providing written reports outlining support and approvals for customer-requested projects.
- We also focus on improving customer service by providing ministries easy access to quality ergonomic and modular furniture at a reasonable cost. These products improve the use of space, provide physically supportive work environments and are flexible enough to adapt to changes in desktop technology and other space requirements.

Results Analysis

Results of the customer satisfaction surveys are explained in detail under the core businesses.

Goal: Minimize the cost of common services.

- As part of the Government's Regulatory Reform initiative, PWSS commenced a review of all regulations relating to the ministry. Stakeholder consultations were initiated on the general regulations concerning the Alberta Association of Architects (AAA), the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA) and the Consulting Engineers of Alberta as well as the Direct Purchase Regulations and the Crown's Properties Regulation.

- Amendments to the *Engineering, Geological and Geophysical Professions Act* were introduced and received Royal Assent allowing the introduction of a Continuing Competency Program through regulation. These amendments and a regulation were implemented at the request of the Association of Professional Engineers, Geologists and Geophysicists of Alberta (APEGGA) after consultation with its membership.

Results Analysis

These initiatives will streamline the regulatory environment for the consulting industry and reduce their costs of doing business.

Office of the Chief Information Officer

Annual Report 1997-98



Highlights

Since its inception in October 1995, the Office of the Chief Information Officer (CIO) has worked to ensure:

- Sound information resource management practices that will keep pace with our ever-changing world, and ensure that government provides Albertans with the best possible service.
- Shared information technology and management practices between government ministries.
- Effective cooperation and coordination among government ministries on information resource management issues.
- Development of recommendations for information resource management policies that complement initiatives outlined in the Government of Alberta's business plan.

Operational Overview

Mission

The Office of the CIO is responsible for identifying and promoting best practices for information resource management across government. The mission of the Office of the Chief Information Officer is to:

Champion the effective creation, use and sharing of information and supporting systems within government and with its stakeholders to facilitate the development and growth of an information and technology culture in Alberta.

Mandate

The Office of the CIO develops overarching policies and strategies to enable ministries, agencies and other stakeholders to fit their information resource plans into a broader framework.

The mandate of the office is as follows:

- Work with Alberta government ministries, the Federal government and industry on matters relating to telecommunications and information technology policy.
- Liaise, through the Chief Information Officers (CIO) Council, with all ministries on government-wide information resource matters.

- Develop and coordinate the implementation of a government-wide Information Resource Strategic Plan to provide guidance and a framework for departmental plans and initiatives to meet the business goals of their ministries.
- Establish a corporate framework for the development and review of ministry information resource strategic plans.
- Guide the development of information resource policies and standards.
- Direct the coordination of planned support for the effective long-term use of information resources by government and stakeholders.

Goals

Goal One

Create a climate of collaboration and cooperation on matters relating to information resource management.

Goal Two

Promote the sharing of information resources between the government and its stakeholders.

Goal Three

Raise awareness and understanding of the strategic importance of information resources to the businesses of government and the economy of Alberta.

Goal Four

Develop directions for the use of information resources in Alberta.

Key Activities

Internet Insight '97

The Office of the CIO, along with the CIO Internet Committee, and the Department of Public Works, Supply and Services (PWSS), hosted "Internet Insight '97" in September 1997. This event followed the successful "Internet Insight '96" held in June 1996. The Internet Insight conferences are marketed to Alberta government employees to provide information on the value of the Internet and its related activities. In 1997, the conference was opened to employees of the government's stakeholder groups such as municipalities and school boards.

CIO Council Discussions

The CIO Council was established in October 1996 and comprises senior officials from each government ministry. Throughout the 1997-98 fiscal year, in support of the government's overall business plan, regular meetings were held with the council to discuss information resource initiatives common to all ministries.

Ministers Meet on the Information Highway

The CIO is Chair of Alberta's Information Highway Advisory Committee. The group addresses national standards and issues of access, electronic delivery of government services, protection of personal information in the marketplace, and electronic commerce. The CIO also continued to participate as the Alberta representative on a federal/provincial/territorial senior officials working group that is developing recommendations for a meeting of ministers responsible for the Information Highway scheduled for the summer of 1998.

Developing an Information Resource Plan

Working in cooperation with all government ministries, the Office of the CIO has developed an Information Resource Strategic Plan (IRSP) for the Government of Alberta. This plan was released in July 1997, and provides a comprehensive framework for the use and coordination of information resources. It identifies common information management goals that affect all government ministries, as well as specific actions to achieve these goals.

In 1997, working groups were established to address the recommended actions. The Office of the CIO continued to provide assistance and support to these working groups throughout 1997-98.

InfoCity Festival '98

The CIO served on the board of InfoCity Festival held in February 1998. This event showcased the use of information technology in the Edmonton Capital Region. The festival included more than 70 booths, 45 speakers, four interactive "High Tech" parks with more than 100 workstations, and an interactive "High Touch" park designed for families.

Promoting the I.S.P. Designation

The Office of the CIO and the CIO, through speaking engagements and presentations in Alberta, continued to assist the Canadian Information Processing Society Alberta (CIPS Alberta) in promoting the professional designation, Information Systems Professional (I.S.P.) The designation is a certification of professional competence and ethical conduct. Technology professionals can obtain it from CIPS Alberta when they have completed specific education and training requirements. The designation was formally recognized by regulation by Alberta Labour's Professions and Occupations Branch in 1997. Alberta is the first province in Canada to formalize this designation by regulation.

Implementing Year 2000 Compliance

Year 2000 compliance continued to be a high priority for the Government of Alberta. In 1996, the Office of the CIO worked closely with PWSS and other ministries to initiate and take steps to prepare the computer systems of government for the Year 2000 issue. Each government ministry has developed a Year 2000 plan, and a project office in PWSS assisted all ministries in coordinating common tasks, such as contacting vendors of the Government of Alberta to determine Year 2000 compliance of products. As well, information on Alberta's Year 2000 plan was made available to ACIG (Association of Canadian Informatics in Government) members through the Internet. In addition, the CIO participated in Year 2000 events with other government jurisdictions in Canada to bring a national focus to this issue.

Task Force on Information Technology

In 1997-98, the CIO participated as a member of the Information Technology Task Force through the Alberta Science and Research Authority (ASRA). The Task Force was initiated to prepare recommendations for the Minister of Science, Research and Information Technology on strategies to follow to facilitate and promote the maximum development of the information and communications technology (ICT) sector in Alberta.

Results Analysis

The Office of the CIO is active in monitoring its activities through performance measurements. Results for 1997-98 are as follows.

Goal One

Create a climate of collaboration and cooperation on matters relating to information resource management.

Measures

- Created the CIO Council in 1996 to ensure a coordinated approach to information management across all government ministries. Regular meetings with the CIO Council ensured that information on common issues was shared across the government.
- The Information Technology Advisory Council (ITAC), comprising information technology professionals from each government department, held regular meetings to discuss common technical issues regarding information management across government. ITAC is co-chaired by the CIO, and the Assistant Deputy Minister of Information Management and Technology Services, PWSS.

Goal Two

Promote the sharing of information resources between government and its stakeholders.

Measures

- Through the Information Resource Strategic Plan, developed a coordinated approach to address information management issues common among all government ministries. The 11 working groups developed to address the specific action steps held more than 60 meetings.
- Initiated Executive Briefing Sessions for senior management in government to provide general knowledge of information management issues as they relate to business objectives. Subjects discussed included cryptography, electronic commerce, and data warehousing.

Goal Three

Raise awareness and understanding of the strategic importance of information resources to the businesses of government and to the economy of Alberta.

Measures

- CIO presentations during the year included:
 - Speech to Government Technology Exhibition and Conference - Canada's largest information technology event for government officials, held in Ottawa.
 - Presentation to the Commonwealth Network of Information Technology for Government.
 - The CIO's participation on a number of committees assisted in raising awareness of information management. Committees included the Conference Board of Canada's Council of Chief Information Officers, and the National Software Occupational Skills Profile Project.

- Continued to assist the Canadian Information Processing Society Alberta (CIPS Alberta) in promoting the professional designation, Information Systems Professional (I.S.P.) – a certification of professional competence and ethical conduct for technology professionals. Alberta is the first province in Canada to have formalized this designation by regulation.

Goal Four

Develop directions for the use of information resources in Alberta.

Measures

- Released the Information Resource Strategic Plan in 1997.
- Continued the activities of working groups formed to address the action steps identified in the strategic plan.
- Development of an overall strategic blueprint on information technology initiatives is in progress. Participants in the process are the CIO, in conjunction with a steering committee of representatives from the Deputy Minister Council.

Future Challenges

In the 1998-99 fiscal year, the Office of the CIO will carry out a number of activities.

- The office will plan the *Internet Insight '98 Conference*. Areas for discussion will be expanded, and so will promotion of the conference to government employees, and individuals from key stakeholder groups.
- Alberta will continue to participate in the federal/provincial/ territorial initiative dealing with information highway issues. The Office of the CIO will provide input from Alberta by means of discussion reports for Ministers.
- The CIO is a member of the National Steering Committee which is overseeing the National Software Occupational Skills Profile Project. Initiated by Human Resources Development Canada, the steering committee is working with industry to develop standard Occupational Skills Profiles for software workers in Canada. Work began on this initiative in 1996-1997 and will continue in 1998-99.
- The Information Resource Strategic Plan was released in July 1997 to government employees, other government jurisdictions in Canada, private sector information technology companies, and interested individuals from the general public. Working groups have been established and their progress will be both monitored and assisted by the Office of the CIO. Ultimately, the results from each working group will be brought to the CIO Council for review and ratification.
- Year 2000 compliance for the Government of Alberta will continue to receive the support of the Office of the CIO. The CIO will work with the Department of Public Works, Supply and Services to assist the government ministries in taking appropriate steps to prepare for the Year 2000 issue.

The Office of the CIO will ensure that government officials and the public are kept informed of progress in this area.

- The strategic blueprint for information technology initiatives in the Government of Alberta will be developed over the fiscal year 1998-99 and will be brought back to the Deputy Minister Council for approval.

The Office of the CIO is a catalyst. The role and responsibilities of the office indicate that its true success will be measured by the amount of cooperation and collaboration it can foster. The desired outcomes from the various initiatives will promote more effective and more efficient information technology and information management practices across government.

DISCUSSION OF FINANCIAL PERFORMANCE

1997-98 Ministry Financial Results

(In thousands of dollars)

	1998	1997	
	Authorized Budget (a)	Actual	Actual
Revenues			
Service revenue	25,095	23,546	23,455
Other revenue	29,090	31,989	35,548
Total Revenue	54,185	55,535	59,003
Operating Expenses			
Ministry Support Services	7,974	8,027	6,397
Information Technology and Supply	72,448	75,465	69,261
Management of Properties	174,836	171,703	174,714
Planning and Implementation of Construction Projects	216,569	214,455	199,538
Office of the Chief Information Officer	511	510	-
Total Expenses	472,338	470,160	449,910
Valuation adjustments	285	904	(784)
Other			
Loss (Gain) on disposal of capital assets	5,000	6,339	(173)
Write downs of capital assets	1,000	12,610	4,034
Gain on disposal of inventories held for resale	-	(2,064)	(5,965)
Write downs of inventories held for sale	9,000	1,932	10,658
	15,000	18,817	8,554
	487,623	489,881	457,680
Net operating results from continuing operations	(433,438)	(434,346)	(398,677)
Net contribution from General Revenues	433,438	429,584	398,622
Net Loss	-	(4,762)	(55)
Purchase of Capital Assets	68,665	63,837	32,614

(a) Supplementary Estimates were approved on February 26, 1998 for settlement of the Government Centre Lands agreement (\$6.6 million in operating expense and \$2.5 million in capital investment) and Achievement Bonus awards (\$1.273 million).

Revenue

PWSS generates revenue by providing a wide variety of services to clients within and outside the government. Approximately \$29.2 million (53 per cent) of PWSS' 1997-98 revenue was a result of providing data processing, aircraft and postage metering services to government departments and agencies on a charge-back basis. Another significant source of revenue was rent from buildings and land (\$11.7 million or 21 per cent).

Comparison of 1997-98 Actuals to 1997-98 Budget

In the year under review, revenues were higher than budgeted primarily to recognize \$2.5 million in manpower contributions for government employees seconded to the Alberta Government's Integrated Management Information System (IM4GIS) project.

Comparison of 1997-98 Actuals to 1996-97 Actuals

Actual revenue in the year in review was lower than actual revenue in the previous year for several reasons.

- Prior Years' Refunds (approximately \$2 million) were lower than the previous year because some refunds expected from the Regional Health Authorities in 1997-98 were actually received in 1996-97. Grants paid out in one fiscal year and returned to PWSS in a subsequent fiscal year are recorded as Prior Years' Refunds.
- Rental revenues (\$1.5 million) were lower primarily due to a decrease in the amount of rental incentives received as lessors are no longer offering rental incentives as the economy improves and the demand for space increases.

Operating Expenses

Significant programs provided by PWSS in 1997-98 include:

- \$98.7 million (21 per cent) for constructing and upgrading health care facilities.
- \$81.4 million (17 per cent) for operating and maintaining approximately 2,500 owned and 270 leased buildings.
- \$75.5 million (16 per cent) for providing information technology, telecommunications, acquisitions, surplus disposals and postage services.
- \$71.1 million (15 per cent) for leasing space for government departments, boards and agencies.

Comparison of 1997-98 Actuals to 1997-98 Budget

Expenditures were lower than budgeted primarily as a result of reduced amortization expenses

Comparison of 1997-98 Actuals to 1996-97 Actuals

There are several causes for the increase in actual operating expenses over the previous year.

- A payment of approximately \$6 million to the City of Edmonton in March 1998 for settlement of the Government Centre Lands agreement. Under this agreement, the province was required to purchase from the City of Edmonton two parcels of land adjacent to Government Centre.
- Increased expenditures of approximately \$5.1 million for the seniors' lodges upgrading program. This program provides funding to upgrade existing senior citizens' lodges across the province.

many of which are 30-40 years old. The work focuses on life, safety, building code and operating efficiency issues.

- A \$3.1 million adjustment to recognize tenant improvements as operating expenses.
- Operating costs of \$2.3 million for IMAGIS were incurred by PWSS on behalf of all ministries. This was a temporary measure and ministries are now billed directly by the service provider for their portion of IMAGIS operating costs.

Other

Comparison of 1997-98 Actuals to 1997-98 Budget and 1996-97 Actuals

The increase is primarily a result of a writedown of approximately \$12.4 million for the Pine Ridge Forest Nursery.

Purchase of Capital Assets

In 1997-98, PWSS expended \$27.5 million (43 per cent) on constructing and upgrading water development projects. In addition, \$8.7 million (13 per cent) was spent on acquiring lands for the Edmonton and Calgary Transportation and Utility Corridors and other lands required for government program use. Through the PWSS Revolving Fund, \$13.7 million (21 per cent) was spent on information technology and telecommunications initiatives, including the implementation of IMAGIS.

Comparison of 1997-98 Actuals and 1997-98 Budget

Actual expenditures were lower than budgeted primarily as a result of slower than anticipated progress on the following water development projects: The St. Mary Dam Spillway Replacement Project on the Waterton-St. Mary Headworks System (\$4.2 million), the Little Bow River Project (\$1.8 million) and East Arrowwood Syphon Replacement and Approach Canal Alignment Project on the Carseland-Bow River Headworks System (\$1.7 million). This lower expenditure was partially offset by the replacement of an aging aircraft (\$5.9 million).

Comparison of 1997-98 Actuals and 1996-97 Actuals

Expenditures were higher in 1997-98 primarily for the following reasons.

- Increases in expenditure of \$7.7 million for the Pine Coulee Project, because a large portion of the construction was completed in 1997-98.
- An expenditure of \$5.9 million to replace an aging aircraft;
- Increases in expenditure of \$4 million for the St. Mary Dam Spillway Replacement Project on the Waterton-St. Mary Headworks System due to the award of a major construction contract.
- A payment of approximately \$2.9 million (as well as \$6 million in operating expense) to the City of Edmonton in March 1998 for settlement of the Government Centre Lands agreement.
- Expenditures of \$2.8 million for land acquired for the Little Bow River Project.

REPORT OF THE AUDITOR GENERAL
ON THE RESULTS OF APPLYING
SPECIFIED AUDIT PROCEDURES
TO KEY PERFORMANCE MEASURES



To the Members of the Legislative Assembly:

I have performed the following procedures in connection with the Ministry of Public Works, Supply and Services key performance measures for 1997-98 and 1996-97, as presented on pages 17, 18, 20-30, 35, and 36 of the *1997-98 Annual Report of the Ministry of Public Works, Supply and Services*:

1. Information obtained from an independent source, such as Statistics Canada, was agreed with the information supplied by the stated source. Information provided internally was agreed to the reports from the systems used to develop the information.
2. The calculations which converted source information into reported measures were tested.
3. The appropriateness of the description of each measure's methodology was assessed.

As a result of applying the above procedures, I found the following two exceptions:

- The supporting documentation for two measures, the number of Alberta organizations tendering by MERX and the number of Alberta businesses using MERX, was not available for 1996-97. Therefore, for these two measures, I was not able to complete the first two procedures described above with respect to the 1996-97 information.
- The description of the methodology provided for each customer satisfaction measure is not appropriate, in that the method of sample selection, size of the customer population, number of customers surveyed, survey response rate, method of calculation and margin of error are not provided in the description.

The above procedures do not constitute an audit of the key performance measures and therefore I express no opinion on the key performance measures included in the *1997-98 Annual Report of the Ministry of Public Works, Supply and Services*.

Peter Valentine
FCA
Auditor General

Edmonton, Alberta
August 12, 1998

The official version of this Report of the Auditor General and the information the Report covers is in printed form.



Ministry of Public Works, Supply and Services

Consolidated Financial Statements

March 31, 1998

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AUDITOR'S REPORT

To the Members of the Legislative Assembly:

I have audited the consolidated statement of assets, liabilities and net assets of the Ministry of Public Works, Supply and Services as at March 31, 1998 and the consolidated statements of revenues and expenses and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Ministry of Public Works, Supply and Services is required to follow the corporate government accounting policies and reporting practices as disclosed in Note 3. These accounting policies have been established by Alberta Treasury and are consistent across ministries. With certain exceptions, the basis of accounting is in accordance with generally accepted accounting principles. My reservation of opinion in this auditor's report identifies the exceptions from generally accepted accounting principles that arise from following the accounting policies established by Alberta Treasury.

The following accounting policies are exceptions from generally accepted accounting principles:

Pension obligations

Obligations to pension plans for current and former employees of the Ministry have not been recognized as a liability in the accompanying consolidated statement of assets, liabilities and net assets and consequently the annual change in the liability has not been recognized in the consolidated statement of revenues and expenses. In my view, on a basis of allocation similar to that used for Provincial agencies, an amount of approximately \$5.3 million due to pension plans at March 31, 1998, in the Ministry's capacity as employer, and which is reflected in the financial statements of the Department of Treasury, should be recognized as a liability in these consolidated financial statements. The effect of not recognizing the annual change in the liability is to overstate the Ministry's expenses by \$3.7 million for the year ended March 31, 1998.

Capital asset transactions

The following capital asset transactions have been recognized as expenses in the accompanying consolidated statement of revenues and expenses. Under generally accepted accounting principles, these transactions should have been accounted for in the years in which the expenses were incurred.

	Period(s) to which <u>expense relates</u>	Amount <u>(\$ millions)</u>
a) impairment in value of Pine Ridge Tree Nursery leased to private sector company	1996-97	\$12.4
b) imputed interest on land re-acquired in 1997-98	1978-97	5.9

Capitalization of assets

Capital assets costing less than \$15,000 have been expensed in the year acquired and have not been recognized as an asset in the accompanying consolidated statement of assets, liabilities and net assets. Consequently, the annual amortization of these assets has not been recognized in the consolidated statement of revenues and expenses. In my view, an amount of approximately \$12.9 million, representing the net book value of these assets as at March 31, 1998, should be recognized in these consolidated financial statements. The effect of this understatement of assets is to overstate expenses by approximately \$575,000 for the year ended March 31, 1998.

Site restoration costs

Known site restoration costs associated with the removal of underground fuel tanks are recognized in the period in which the restoration work is performed and have not been recognized as a liability in the accompanying consolidated statement of assets, liabilities and net assets. In my view, a liability of approximately \$4.8 million, representing future site restoration costs as at March 31, 1998, should be recognized in these consolidated financial statements. The effect of this understatement of liabilities and assets is to overstate expenses by approximately \$340,000 for the year ended March 31, 1998.

In my opinion, except for the effects of the matters discussed in the preceding sections, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine

FCA

Auditor General

Edmonton, Alberta

May 22, 1998

The official version of this Report of the Auditor General and the information the Report covers is in printed form.

Ministry of Public Works, Supply and Services

Consolidated Statement of Revenues and Expenses For the year ended March 31, 1998

(In thousands)			
	1998		1997
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Schedule 5)	(Schedule 6)	
Revenues (Schedules 1 and 2)			
Service revenue	\$ 25,095	\$ 23,546	\$ 23,455
Contribution to IMAGIS	-	2,484	1,629
Sales	3,660	3,082	3,232
Fees, permits, and licences	2,470	2,407	2,402
Other revenue	22,960	24,016	28,285
	<u>54,185</u>	<u>55,535</u>	<u>59,003</u>
Expenses (Schedules 2 and 3)			
Ministry support services	6,712	8,027	6,397
Information technology and supply	72,448	75,465	69,261
Management of properties	174,836	171,703	174,714
Planning and implementation of construction projects	209,969	214,455	199,538
Office of the Chief Information Officer	500	510	-
	<u>464,465</u>	<u>470,160</u>	<u>449,910</u>
Valuation adjustments (Note 3(c)(i))			
Provision for doubtful accounts	285	151	210
Provision for vacation pay	-	753	(994)
	<u>285</u>	<u>904</u>	<u>(784)</u>
Other			
Loss (Gain) on disposal of capital assets (Note 9)	5,000	6,339	(173)
Write downs of capital assets	1,000	12,610	4,034
Gain on disposal of inventories held for resale	-	(2,064)	(5,965)
Write downs of inventories held for resale	9,000	1,932	10,658
	<u>15,000</u>	<u>18,817</u>	<u>8,554</u>
	<u>479,750</u>	<u>489,881</u>	<u>457,680</u>
Net operating results from continuing operations	(425,565)	(434,346)	(398,677)
Net contribution from General Revenues	425,565	429,584	398,622
Net Loss	<u>\$ -</u>	<u>\$ (4,762)</u>	<u>\$ (55)</u>

The accompanying notes and schedules are part of these financial statements.

Ministry of Public Works, Supply and Services

Consolidated Statement of Changes in Financial Position For the year ended March 31, 1998

(In thousands)

	1998	1997
Operating transactions		
Net operating results from continuing operations	\$ (434,846)	\$ (398,677)
Non-cash items included in net operating results:		
Amortization of capital assets	56,202	55,668
Amortization of deferred capital contributions	(604)	—
Loss (Gain) on disposal of capital assets (Note 9)	6,339	(177)
Write downs of capital assets	(2,900)	4,034
Write off of capital assets	—	187
Gain on disposal on inventories held for resale	(2,064)	(5,965)
Write downs of inventories held for resale	1,932	10,658
Valuation adjustments (Note 3(c)(i))	(904)	784
	<u>(360,835)</u>	<u>(334,185)</u>
Decrease (increase) in accounts receivable (Note 3(c)(i))	5,241	(5,218)
Increase in loans and advances	(237)	(4,958)
Increase in inventories, Air Transportation	(53)	—
(Increase) decrease in inventories, postage	(396)	(17)
Increase in prepaid expenses	(262)	(122)
Increase in accounts payable (Note 3(c)(i))	13,029	3,346
Increase (decrease) in unearned revenue	288	(1,603)
	<u>(343,228)</u>	<u>(344,020)</u>
Net cash provided by continuing operations		
Net contribution from General Revenues	429,584	408,720
Cash provided by operating transactions	<u>\$ 86,356</u>	<u>\$ 64,702</u>
Investing transactions		
Purchases of capital assets (Schedule 4)	(63,837)	(32,614)
Proceeds from disposal of capital assets	—	1,550
Proceeds on sale of inventories held for resale	10,476	22,793
Capital assets transferred to other ministries (Note 13)	609	6,207
Capital assets transferred from other ministries (Note 13)	(1,085)	—
	<u>(52,668)</u>	<u>(2,158)</u>
Cash used by investing transactions		
Net cash provided	<u>33,688</u>	<u>52,447</u>
Due to General Revenues, beginning of year (Note 4)	(1,770,935)	(1,823,382)
Due to General Revenues, end of year (Note 4)	<u>\$ (1,737,247)</u>	<u>\$ (1,770,935)</u>

The accompanying notes and schedules are part of these financial statements.

Ministry of Public Works, Supply and Services

Consolidated Statement of Assets, Liabilities and Net Assets

As at March 31, 1998

	(In thousands)	
	1998	1997
Assets		
Accounts receivable (Note 5)	\$ 10,816	\$ 15,906
Loans and advances (Note 6)	5,415	5,178
Inventories, Air Transportation (Note 3(e))	3,584	3,531
Inventories, postage	664	268
Prepaid expenses	1,403	1,141
Inventories held for resale (Note 7)	41,880	50,781
Capital assets (Note 4 and 8)	1,748,858	1,762,308
	<u>\$ 1,812,620</u>	<u>\$ 1,839,113</u>
Liabilities		
Accounts payable and accrued liabilities (Note 3(c)(i))	\$ 60,276	\$ 48,000
Unearned revenue	465	180
Deferred capital contributions (Note 10)	9,157	9,761
Due to General Revenues (Note 4)	1,737,247	1,770,935
	<u>\$ 1,807,145</u>	<u>\$ 1,828,876</u>
Net Assets		
Net assets, beginning of year	\$ 10,237	\$ 10,292
Net Loss	(4,762)	(55)
Net assets, end of year	<u>\$ 5,475</u>	<u>\$ 10,237</u>

The accompanying notes and schedules are part of these financial statements.

Ministry of Public Works, Supply and Services

Notes to the Consolidated Financial Statements
March 31, 1998
(In thousands)

Note 1 Authority

The Minister of Public Works, Supply and Services has been designated as responsible for various Acts by the Government Organization Act and its regulations. To fulfill these responsibilities, the Minister administers the organizations listed below. The authority under which each organization operates is also listed. Together, these organizations form the Ministry of Public Works, Supply and Services.

<u>Organization</u>	<u>Authority</u>
The Department of Public Works, Supply and Services	Government Organization Act
Public Works, Supply and Services Revolving Fund	Financial Administration Act

Note 2 Purpose

The Ministry is responsible for providing common services to support government program delivery. The Ministry provides capital infrastructure, accommodation, air transportation, information technology, telecommunication, and procurement services.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all ministries. The recommendations of the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting and Auditing Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is the Department of Public Works, Supply and Services and the Public Works, Supply and Services Revolving Fund for which the Minister of Public Works, Supply and Services is accountable.

Note 3 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

(b) Basis of Financial Reporting

Basis of Consolidation

The accounts of the Department and the Revolving Fund are consolidated. Revenue and expense transactions, investing and financing transactions, and related asset and liability accounts between entities within the Ministry have been eliminated.

Revenues

Revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Dedicated Revenue

Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues must be shown as credits or recoveries in the details for the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's expense budget is reduced. Conversely, if actual dedicated revenues exceed budget, the Ministry may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Ministry's dedicated revenue initiative.

Expenses

Expenses represent the costs of resources consumed during the year on the Ministry's operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for current service of employees during the year and additional employer contributions for employees' service relating to prior years.

Certain expenses, primarily for legal advice and banking services incurred on behalf of the Ministry by other ministries, are not reflected in the Statement of Revenues and Expenses.

Certain expenses, primarily for office space, and telecommunication services incurred on behalf of other ministries are reflected in these statements.

Note 3 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

(b) Basis of Financial Reporting (cont'd)

Valuation Adjustments

Valuation adjustments include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to guarantees, indemnities, and deficits of provincial agencies within the Ministry.

Assets

Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals as well as inventories held for resale.

Capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. With the exception of the Department, donated capital assets are recorded at their fair market value at the time of receipt. Capital assets donated to the Department are recorded at nil cost. All land is capitalized. The threshold for capitalizing new systems development is one hundred thousand dollars and the threshold for all other capital assets is fifteen thousand dollars.

Capital assets of the Ministry include work in progress for buildings, computer hardware and software, and dams and water management structures. These costs are capitalized but not amortized until the asset is in service.

Capital assets no longer required are transferred to inventories held for resale and are valued at the lower of amortized cost and net realizable value.

Liabilities

Liabilities include all financial claims payable by the Ministry at fiscal year end, except long-term disability benefits and certain pension benefits. Similar accruals have not been made for the Department and the Revolving Fund as these amounts are reflected in the financial statements of Treasury Department on their behalf.

Due to General Revenues is the difference at fiscal year end between the value of assets held by the Ministry and its liabilities and net assets.

Note 3 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

Net Contribution from General Revenues

Net contribution from General Revenues represents the funds provided from General Revenues to the Department which, together with the revenues reported by the Department, provide the total funding for the Department's expenses.

(c) Changes in Accounting Policy

- i) Effective April 1, 1996, valuation adjustments for vacation entitlements and allowance for doubtful accounts that were previously reported in the financial statements of Treasury on behalf of the Ministry, are reported by the Ministry in the Statement of Revenues and Expenses. In 1998, net operating results from continuing operations decreased and net contribution from General Revenues increased by \$904 (1997 - net operating results from continuing operations increased and net contribution from General Revenues decreased by \$784) as a result of this change.

Effective April 1, 1996, the Ministry reports liabilities associated with vacation entitlements. These liabilities were previously reported in the financial statements of Treasury. In 1998, accounts payable and accrued liabilities increased and due to General Revenues decreased by \$7,324 (1997 - accounts payable and accrued liabilities increased and due to General Revenues decreased by \$6,571) as a result of this change.

- ii) Effective April 1, 1997, the Ministry reports tenant improvements on both owned and leased buildings as an expense. Previously, tenant improvements on leased buildings were capitalized and tenant improvements on owned buildings were expensed. In 1998, net operating results from continuing operations decreased and net contribution from General Revenues increased by \$3,111 as a result of this change. This change is being accounted for prospectively.

(d) Change in Accounting Estimate

Effective April 1, 1997, the salvage value used in calculating aircraft amortization was changed from 20% to 50% of original cost. In 1998, net income and due to General Revenues of the Public Works, Supply and Services Revolving Fund increased by \$444 as a result of this change. This change is being accounted for prospectively.

(e) Inventories, Air Transportation

Effective April 1, 1996, the Ministry is reporting Air Transportation inventory and spare capital assets. In 1998, inventories, Air Transportation and due to General Revenues increased by \$53 (1997 - inventories, Air Transportation and due to General Revenues increased by \$3,531 and capital assets and deferred capital contributions, increased by \$968) as a result of this change.

Note 4 Prior Period Adjustments

The financial statements have been restated to reflect the correction of prior period errors.

Public Works, Supply and Services discovered duplicate assets with a net book value of \$25,938. As a result of the correction of the error, 1997 capital assets decreased and due to General Revenues decreased by \$25,938. Correction of the error had no impact on the 1998 Consolidated Statement of Revenues and Expenses or the Consolidated Statement of Assets, Liabilities and Net Assets.

In 1996, Public Works, Supply and Services leased the Grande Cache Correctional Facility to the Federal Government. The terms of the agreement indicate the value of the facility became impaired at the time the lease was entered into. As a result of the correction of the error, 1997 capital assets decreased and due to General Revenues decreased by \$24,233. Correction of the error had no impact on the 1998 Consolidated Statement of Revenues and Expenses or the Consolidated Statement of Assets, Liabilities and Net Assets.

Note 5 Accounts Receivable

	1998		1997
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value
Accounts receivable	\$ 9,369	\$ 706	\$ 8,663
Refunds from suppliers	2,153	-	2,153
	<u>\$ 11,522</u>	<u>\$ 706</u>	<u>\$ 10,816</u>

Accounts receivables are unsecured, and non-interest bearing.

Note 6 Loans and Advances

	1998		1997
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value
Accountable advances	\$ 871	\$ -	\$ 871
Mortgages receivable	4,544	-	4,544
	<u>\$ 5,415</u>	<u>\$ -</u>	<u>\$ 5,415</u>

Note 6 Loans and Advances (cont'd)**(a) Accountable Advances**

Public Works, Supply and Services has used funds advanced by Treasury to establish petty cash funds, provide travel advances and set up damage deposits for foreign leases.

(b) Mortgages Receivable

A mortgage receivable was extended to the Municipality of Wood Buffalo as consideration for their purchase of a building from Public Works, Supply and Services. The mortgage is repayable in annual installments which include principal and interest. The effective interest rate included in the payments is 6 1/4% per annum. The current annual installment of the mortgage receivable is \$375, the final installment of \$3,558 is due on January 1, 2000.

Other mortgages receivable totaling \$1,040 are repayable over the next three years as follows: \$483 in 1999, \$247 in 2000 and \$310 in 2001. These mortgages are non-interest bearing.

Note 7 Inventories Held for Resale

	1998				1997	
	Opening Balance	Transfers	Disposals	Write downs	Closing Balance	Closing Balance
Land	\$ 42,270	\$ 342	\$ 6,879	\$ 1,786	\$ 33,947	\$ 42,270
Buildings	8,511	1,101	1,533	146	7,933	8,511
Total	<u>\$ 50,781</u>	<u>\$ 1,443</u>	<u>\$ 8,412</u>	<u>\$ 1,932</u>	<u>\$ 41,880</u>	<u>\$ 50,781</u>

Note 8 Capital Assets

		1998		1997	
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
General capital assets:					
Land	Indefinite	\$ 559,205	\$ -	\$ 559,205	\$ 545,868
Buildings	40 years	1,729,691	667,598	1,062,093	1,120,512
Aircraft ⁽¹⁾	5-24 years	42,581	11,653	30,928	25,963
Equipment	5-10 years	25,687	13,454	12,233	13,252
Computer hardware and software ⁽²⁾⁽³⁾	3-10 years	56,785	31,885	24,900	17,514
Other ⁽⁴⁾⁽⁵⁾	3-40 years	58,196	47,346	10,850	15,815
		2,472,145	771,936	1,700,209	1,738,924
Infrastructure assets:					
Land improvements	40 years	221	163	58	63
Dams and water management structures	100 years	48,591	-	48,591	23,321
		48,812	163	48,649	23,384
		\$ 2,520,957	\$ 772,099	\$ 1,748,858	\$ 1,762,308

(1) Included in the cost and net book value of buildings, computer hardware and software, dams and water management structures is work in progress amounting to \$106,465 (1997 - \$90,738).

(2) Aircraft includes a restatement to account for spare aircraft engines which were acquired from the Government of Canada at no cost. These engines have a fair value of \$968 and will be amortized when they are put into service. See also Note 10.

(3) Includes telecommunications and other equipment.

(4) Included in Computer hardware and software are all pre-development and development costs incurred by the Public Works, Supply and Services Revolving Fund in the implementation of the government-wide Integrated Management (Alberta Government) Information Systems ("IMAGIS") system. It does not include \$2,484 (1997 - \$1,629) contributed by other government Ministries for staff resources seconded to the project.

(5) Includes trailers and leasehold improvements.

Land and buildings in the net amount of \$1,443 (1997 - \$8,056) were transferred to inventories held for resale.

Note 9 Loss on Disposal of Capital Assets

Effective March 31, 1998, the program delivery of the Alberta Fire Training School was transferred from the Ministry of Labour to Lakeland College. As well, the land, buildings, and equipment were transferred from the Ministry of Public Works, Supply and Services to the College for a nominal amount, resulting in a \$5,255 loss on disposal.

Note 10 Deferred Capital Contributions

In 1995, two CL215 water bomber aircraft were acquired from the Government of Canada for one dollar each. The fair value of these aircraft has been capitalized with an offset recorded as deferred capital contributions. Spare aircraft engines with a fair value of \$968 have also been capitalized with an offset recorded as deferred capital contributions. These engines will be amortized when they are put into service.

	1998		1997	
	Fair Value	Accumulated Amortization	Deferred Capital Contributions	Deferred Capital Contributions
Water bomber aircraft	\$ 10,000	\$ 1,811	\$ 8,189	\$ 8,793
Spare aircraft engines	968	-	968	968
	<u>\$ 10,968</u>	<u>\$ 1,811</u>	<u>\$ 9,157</u>	<u>\$ 9,761</u>

Note 11 Commitments**(a) Operating Leases**

The Ministry leases certain space under operating leases which expire on various dates to 2025. The aggregate amounts payable for the unexpired terms of these leases are as follows:

1999	\$ 61,948
2000	53,562
2001	43,995
2002	33,439
2003	24,127
Thereafter	111,921
	<u>\$ 328,992</u>

Note 11 Commitments (cont'd)**(b) Capital Projects**

The Ministry is committed to fund the construction and upgrade of various facilities in the Province over the next year. The total cost of ongoing projects and the cost to complete approved phases of these projects are as follows:

	1998	1997
Total project costs	\$ 699,928	\$ 757,380
Costs relating to phases not yet approved	(308,260)	(371,471)
Total committed	391,668	385,909
Total expended to March 31	(348,016)	(373,576)
Remaining commitment as at March 31	<u>\$ 43,652</u>	<u>\$ 12,333</u>

(c) Other Commitments

As at March 31, 1998, the Ministry is committed to contracts to purchase equipment, supplies and services totaling \$67,200 (1997 - \$37,192).

Note 12 Contingencies

As at March 31, 1998, the Ministry was named as defendant in various legal actions. The total claimed in these legal actions amounts to approximately \$432,414 (1997 - \$444,561). The resulting loss, if any, from these claims cannot be determined at this time. The Ministry recognizes expenses relating to these claims in the period final settlement is determined.

The Ministry also has a contingent liability with respect of future site restoration costs associated with certain highway maintenance yards and other properties. The Ministry recognizes these expenses in the period site restoration work is performed.

Note 13 Related Party Transactions

Accommodation expenses of \$171,321 (1997 - \$169,704) and telecommunication expenses of \$24,293 (1997 - \$26,787) were incurred by the Ministry on behalf of other government organizations. Legal, personnel, and certain financial costs were provided to the Ministry by other government organizations at no cost. Rental revenues of \$1,902 (1997 - \$1,689) were received by the Department from other government organizations.

Note 13 Related Party Transactions (cont'd)

The Ministry paid Payment Systems Corporation (PSC), a joint venture partially owned by the Province of Alberta, \$3,897 (1997 - \$923) for computer processing. Receivables from related parties outstanding at year end were \$147 (1997 - \$72).

The Ministry and its employees paid certain taxes and fees set by regulation for permits, licences and other rights. These amounts were incurred in the normal course of business and reflect charges applicable to all users.

Land owned by the Ministry was transferred to Environmental Protection at net book value of \$609 at March 31, 1998. Land was transferred to the Ministry from Treasury at net book value of \$1,085 at December 1, 1997. Due to General Revenues was increased by \$476 as a result of these transfers.

Note 14 Trust Funds Under Administration

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

As at March 31, 1998 trust funds under administration were as follows:

	1998	1997
General Trust Fund	\$ 373	\$ 404
Security Deposit Trust Fund	74	61
	<u>\$ 447</u>	<u>\$ 465</u>

Note 15 Uncertainty Due to the Year 2000

The year 2000 issue is the result of some computer programs being written using two digits rather than four to define the applicable year. Government computer programs that have date sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. In addition, similar problems may arise in some systems if certain dates in 1999 are not recognized as a valid date or are recognized to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000. If not addressed, the effect on operations and financial reporting may range from minor errors to significant systems failure that could affect the ability to conduct some government operations.

Note 15 Uncertainty Due to the Year 2000 (cont'd)

The government is currently working to resolve the potential effect of the year 2000 on the processing of date sensitive information by the government's computerized information systems in a timely manner. The costs of addressing potential problems by modifying, replacing or retiring significant portions of computerized information systems are not expected to have a material adverse effect on the Province's financial condition. Despite the government's efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 issue affecting the government, including those related to the efforts of customers, suppliers and other third parties, will be fully resolved.

Note 16 Budget

The budget figures were derived from the Government Estimates approved on May 29, 1997 for the Department and on December 5, 1996 for the Revolving Fund.

Spending budgets were authorized by Appropriation Acts passed for the 1997-98 fiscal year and by Treasury Board pursuant to Section 29(1.1) of the Financial Administration Act.

Note 17 Comparative Figures

Certain 1997 figures have been reclassified to conform to 1998 presentation.

Note 18 Alberta Vocational Colleges (AVCs)

Prior to 1997-98, the Province's four AVCs were administered by the Ministry of Advanced Education and Career Development. During the year, the government began the transition of the AVCs to board governance.

As part of the transition, over the period 2000 - 2001 Public Works, Supply and Services is expected to transfer land and buildings to the Ministry of Advanced Education and Career Development which will subsequently transfer these assets to the AVCs. The land and buildings that will be transferred had a net book value of sixty-four million dollars at March 31, 1998. In addition, Public Works, Supply and Services will be upgrading the AVC facilities prior to the transfer. Public Works, Supply and Services will also transfer annual funding of six million five hundred thousand dollars, relating to facility operating and maintenance costs effective April 1, 1998.

Note 19 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Ministry of Public Works, Supply and Services

Consolidated Schedule to Financial Statements

Revenues

For the year ended March 31, 1998

Schedule 1

	(In thousands)		
	1998	1997	
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Service revenues:			
Data processing services	\$ 21,440	\$ 19,862	\$ 19,724
Aircraft services	3,565	3,684	3,693
Telecommunications services	90	-	38
	<u>25,095</u>	<u>23,546</u>	<u>23,455</u>
Contribution to IMAGIS	<u>-</u>	<u>2,484</u>	<u>1,629</u>
Sales:			
Postage	3,660	3,082	3,230
Software	-	-	2
	<u>3,660</u>	<u>3,082</u>	<u>3,232</u>
Fees, permits, and licences:			
Civil service parking	<u>2,470</u>	<u>2,407</u>	<u>2,402</u>
Other revenues:			
Investment income	4,000	1,791	2,487
Refunds of expenditures:			
Previous years' refunds	5,000	4,198	7,454
Surplus sales	1,390	1,823	2,963
Miscellaneous:			
Rentals (land and buildings)	11,020	11,716	13,214
Utilities	-	150	128
Dedicated revenue (Schedule 2)	1,500	3,885	1,632
Other	50	453	407
	<u>22,960</u>	<u>24,016</u>	<u>28,285</u>
Total revenues	<u>\$ 54,185</u>	<u>\$ 55,535</u>	<u>\$ 59,003</u>

Ministry of Public Works, Supply and Services

Consolidated Schedule to Financial Statements
Dedicated Revenue Initiative
For the year ended March 31, 1998

Schedule 2

	(In thousands)		
	1998		1997
	Authorized Budget	Actual	Actual
Social housing:			
Dedicated revenue	\$ 11,500	\$ (3,885)	\$ (1,632)
Expense	16,500	20,211	15,681
Net expense	<u>\$ 15,000</u>	<u>\$ 16,326</u>	<u>\$ 13,448</u>

Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's budget is reduced. Conversely, if actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program.

The above dedicated revenue and expense are included in the Consolidated Statement of Revenues and Expenses. Dedicated revenue represents a partial reimbursement of certain expenditures incurred by Public Works, Supply and Services at the request of the following lodge foundations:

Acadia Foundation, Foothills Foundation, Hythe and District Homes, Leduc Foundation, Marquis Foundation, Municipal District of St. Paul Foundation, Paintearth Foundation, Parkland Foundation, Pincher Creek Foundation, Ridge Country Housing, Rocky View Foundation, and Sturgeon Foundation.

Ministry of Public Works, Supply and Services

Consolidated Schedule to Financial Statements
Expenses Detailed by Object
For the year ended March 31, 1998

Schedule 3

	(In thousands)		
	1998		1997
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Salaries, wages & employee benefits	\$ 59,906	\$ 57,775	\$ 56,273
Supplies and services	231,074	252,988	227,126
Contribution to IMAGIS	-	2,484	1,629
Grants	109,500	97,558	105,937
Financial transactions and other	45	45	45
Amortization of capital assets	60,240	56,202	55,668
Cost of sales	3,700	3,108	3,232
Total expenses	<u>\$ 464,465</u>	<u>\$ 470,160</u>	<u>\$ 449,910</u>

Ministry of Public Works, Supply and Services

Consolidated Schedule to Financial Statements
Purchases of Capital Assets by Program
For the year ended March 31, 1998

Schedule 4

(In thousands)

	1997-98 Estimates	Transfer of Responsibility	1997-98 Budget	Voted Supplementary	1997-98 Authorized Budget	1997-98 Actual	1996-97 Actual
Ministry support services	\$	\$	\$	\$	\$	\$	\$
Information technology and supply	14,305		14,305		14,305	20,998	9,882
Management of properties	260		260		260	541	248
Planning and implementation of construction projects	51,600		51,600	2,500	54,100	42,298	22,517
	\$ 66,165	\$	\$ 66,165	\$ 2,500	\$ 68,665	\$ 63,837	\$ 32,614

Ministry of Public Works, Supply and Services

Consolidated Schedule to Financial Statements
Operating Budget
For the year ended March 31, 1998

Schedule 5

	(In thousands)			
	Department	Revolving Fund	Consolidated Adjustments (Schedule 7)	Consolidated Ministry
Revenues:				
Service revenue	\$ -	\$ 52,700	\$ (27,605)	\$ 25,095
Contribution to IMAGIS	-	-	-	-
Sales	-	3,700	(40)	3,660
Fees, permits, and licenses	2,470	-	-	2,470
Other revenues	22,960	-	-	22,960
	<u>25,430</u>	<u>56,400</u>	<u>(27,645)</u>	<u>54,185</u>
Expenses:				
Ministry support services	7,005	-	(293)	6,712
Information technology and supply	40,730	56,400	(24,682)	72,448
Management of properties	177,045	-	(2,209)	174,836
Planning and implementation of construction projects	210,430	-	(461)	209,969
Office of the Chief Information Officer	500	-	-	500
	<u>435,710</u>	<u>56,400</u>	<u>(27,645)</u>	<u>464,465</u>
Valuation adjustments:				
Provision for doubtful accounts	285	-	-	285
Provision for vacation pay	-	-	-	-
	<u>285</u>	<u>-</u>	<u>-</u>	<u>285</u>
Other:				
Loss on disposal of capital assets (Note 9)	5,000	-	-	5,000
Write downs of capital assets	1,000	-	-	1,000
Write downs of inventories held for resale	9,000	-	-	9,000
	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Net operating results from continuing operations	(425,565)	-	-	(425,565)
Net contribution from General Revenues	<u>425,565</u>	<u>-</u>	<u>-</u>	<u>425,565</u>
Net Loss	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Ministry of Public Works, Supply and Services

Consolidated Schedule to Financial Statements
Operating Actuals
For the year ended March 31, 1998

Schedule 6

(In thousands)				
	Department	Revolving Fund	Consolidated Adjustments (Schedule 7)	Consolidated Ministry
Revenues				
Service revenue	\$	\$ 47,473	\$ (23,427)	\$ 23,546
Contributions of IM/CCIS		3,100	(666)	2,434
Sales		3,108	(26)	3,082
Fees, permits, and licenses	2,407			2,407
Other revenue	23,923	93		24,016
	<u>26,330</u>	<u>53,774</u>	<u>(24,569)</u>	<u>58,835</u>
Expenses				
Ministry support services	8,423		(396)	8,027
Information technology and supply	38,946	58,621	(22,102)	75,465
Management of properties	171,785		(82)	171,703
Planning and implementation of construction projects	206,444		(1,987)	214,455
Office of the Chief Information Officer	810			810
	<u>436,408</u>	<u>58,621</u>	<u>(24,569)</u>	<u>470,160</u>
Valuation adjustments				
Provision for doubtful accounts	(51)			(51)
Provision for vacation pay	753			753
	<u>904</u>	<u>-</u>	<u>-</u>	<u>904</u>
Other				
Loss (gain) on disposal of capital assets (Note 9)	6,424	(85)		6,339
Write downs of capital assets	12,610			12,610
Gain on disposal of inventories held for resale	(2,064)			(2,064)
Write downs of inventories held for resale	1,932			1,932
	<u>18,902</u>	<u>(85)</u>	<u>-</u>	<u>18,817</u>
Net operating results from continuing operations	(429,584)	(4,762)		(434,346)
Net contribution from continuing operations (Note 4)	429,584			429,584
Net Loss	<u>\$</u>	<u>\$ (4,762)</u>	<u>\$</u>	<u>\$ (4,762)</u>

Ministry of Public Works, Supply and Services

Consolidated Schedule to Financial Statements
Intra-Ministry Transactions
For the year ended March 31, 1998

Schedule 7

(In thousands)

Revenues:

	1998	
	Budget	Actual
Department purchases of data processing services from PWSS Revolving Fund	\$ 980	\$ 1,331
Department contribution to PWSS Revolving Fund for IMAGIS	-	616
Department purchases for aircraft services	2,150	1,366
Department purchases of telecommunications services from PWSS Revolving Fund	24,475	21,230
Department purchases of postage from PWSS Revolving Fund	40	26
Total intra-ministry transactions	<u>\$ 27,645</u>	<u>\$ 24,569</u>

Expenses:

Supplies and services provided to Department by PWSS Revolving Fund	\$ 27,645	\$ 23,953
Contribution to PWSS Revolving Fund by Department for IMAGIS	-	616
	<u>\$ 27,645</u>	<u>\$ 24,569</u>

Assets:

Accounts receivable from Department to PWSS Revolving Fund	<u>\$ -</u>	<u>\$ 174</u>
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Liabilities:

Accounts payable to PWSS Revolving Fund from Department	<u>\$ -</u>	<u>\$ 174</u>
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Department of Public Works, Supply and Services

Financial Statements
March 31, 1998

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AUDITOR'S REPORT

To the Minister of Public Works, Supply and Services

I have audited the statement of assets and liabilities of the Department of Public Works, Supply and Services as at March 31, 1998 and the statements of revenues and expenses and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Department of Public Works, Supply and Services is required to follow the corporate government accounting policies and reporting practices as disclosed in Note 3. These accounting policies have been established by Alberta Treasury and are consistent across ministries. With certain exceptions, the basis of accounting is in accordance with generally accepted accounting principles. My reservation of opinion in this auditor's report identifies the exceptions from generally accepted accounting principles that arise from following the accounting policies established by Alberta Treasury.

The following accounting policies are exceptions from generally accepted accounting principles:

Pension obligations

Obligations to pension plans for current and former employees of the Department have not been recognized as a liability in the accompanying statement of assets and liabilities and consequently the annual change in the liability has not been recognized in the statement of revenues and expenses. In my view, on a basis of allocation similar to that used for Provincial agencies, an amount of approximately \$4.8 million due to pension plans at March 31, 1998, in the Department's capacity as employer, and which is reflected in the financial statements of the Department of Treasury, should be recognized as a liability in these financial statements. The effect of not recognizing the annual change in the liability is to overstate the Department's expenses by \$3.3 million for the year ended March 31, 1998.

Capital asset transactions

The following capital asset transactions have been recognized as expenses in the accompanying statement of revenues and expenses. Under generally accepted accounting principles, these transactions should have been accounted for in the years in which the expenses were incurred.

	<u>Period(s) to which expense relates</u>	<u>Amount (\$ millions)</u>
a) impairment in value of Pine Ridge Tree Nursery leased to private sector company	1996-97	\$12.4
b) imputed interest on land re-acquired in 1997-98	1978-97	5.9

Capitalization of assets

Capital assets costing less than \$15,000 have been expensed in the year acquired and have not been recognized as an asset in the accompanying statement of assets and liabilities. Consequently, the annual amortization of these assets has not been recognized in the statement of revenues and expenses. In my view, an amount of approximately \$11.3 million, representing the net book value of these assets as at March 31, 1998, should be recognized in these financial statements. The effect of this understatement of assets is to understate expenses by approximately \$100,000 for the year ended March 31, 1998.

Site restoration costs

Known site restoration costs associated with the removal of underground fuel tanks are recognized in the period in which the restoration work is performed and have not been recognized as a liability in the accompanying statement of assets and liabilities. In my view, a liability of approximately \$4.8 million, representing future site restoration costs as at March 31, 1998, should be recognized in these financial statements. The effect of this understatement of liabilities is to overstate expenses by approximately \$340,000 for the year ended March 31, 1998.

In my opinion, except for the effects of the matters discussed in the preceding sections, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine

FCA

Auditor General

Edmonton, Alberta

May 22, 1998

The official version of this Report of the Auditor General and the information the Report covers is in printed form.

Department of Public Works, Supply and Services

Statement of Revenues and Expenses For the year ended March 31, 1998

	(In thousands)		
	1998		1997
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
	(Schedule 3)		
Revenues (Schedules 1 and 2)			
Fees, permits, and licences	\$ 2,470	\$ 2,407	\$ 2,402
Other revenue	22,960	23,923	28,284
	<u>25,430</u>	<u>26,330</u>	<u>30,686</u>
Expenses			
Voted (Schedules 2, 4 and 7)			
Ministry support services	7,005	8,423	6,397
Information technology and supply	40,730	38,946	39,990
Management of properties	177,045	171,785	174,714
Planning and implementation of construction projects	210,430	216,444	199,538
Office of the Chief Information Officer	500	510	-
	<u>435,710</u>	<u>436,108</u>	<u>420,639</u>
Valuation adjustments (Note 3(c)(i))			
Provision for doubtful accounts	285	151	210
Provision for vacation pay	-	753	(994)
	<u>285</u>	<u>904</u>	<u>(784)</u>
Other			
Loss on disposal of capital assets (Note 9)	5,000	6,424	727
Write downs of capital assets	1,000	12,610	4,034
Gain on disposal of inventories held for resale	-	(2,064)	(5,965)
Write downs of inventories held for resale	9,000	1,932	10,658
	<u>15,000</u>	<u>18,902</u>	<u>9,454</u>
	<u>450,995</u>	<u>455,914</u>	<u>429,309</u>
Net operating results from continuing operations	(425,565)	(429,584)	(398,623)
Net contribution from General Revenues (Note 10)	425,565	429,584	398,623
Net Loss	\$ -	\$ -	\$ -

The accompanying notes and schedules are part of these financial statements.

Department of Public Works, Supply and Services

Statement of Changes in Financial Position For the year ended March 31, 1998

	1998	1997
Operating transactions		
Net operating results from continuing operations	\$ (429,584)	\$ (398,623)
Non-cash items included in net operating results:		
Amortization	48,488	48,496
Loss on disposal of capital assets (Note 9)	6,424	727
Write downs of capital assets	12,610	4,034
Gain on disposal on inventories held for resale	(2,064)	(5,965)
Write downs of inventories held for resale	1,932	10,658
Valuation adjustments (Note 3(c)(i))	(904)	784
	<u>(363,098)</u>	<u>(339,889)</u>
Decrease (increase) in accounts receivable (Note 3(c)(i))	2,170	(7,312)
Increase in loans and advances	(237)	(4,958)
Increase in accounts payable (Note 3(c)(i))	7,753	6,952
Increase (decrease) in unearned revenue	285	(3,081)
	<u>(353,127)</u>	<u>(348,288)</u>
Net cash provided by continuing operations		
	429,584	398,623
Cash provided by operating transactions	<u>76,457</u>	<u>50,335</u>
Investing transactions		
Purchases of capital assets (Schedule 5)	(43,549)	(22,835)
Proceeds from disposal of capital assets	206	10,802
Proceeds on sale of inventories held for resale	10,476	22,793
Capital assets transferred to other departments (Note 13)	609	6,207
Capital assets transferred from other departments (Note 13)	(1,085)	(91)
	<u>(33,343)</u>	<u>16,876</u>
Cash (used) provided by investing transactions		
	43,114	67,211
Net cash provided		
	<u>(1,732,833)</u>	<u>(1,800,044)</u>
Due to General Revenues, beginning of year (Note 4)		
	<u>\$ (1,689,719)</u>	<u>\$ (1,732,833)</u>

The accompanying notes and schedules are part of these financial statements.

Department of Public Works, Supply and Services

Statement of Assets and Liabilities As at March 31, 1998

	(In thousands)	
	1998	1997
Assets		
Accounts receivable (Note 5)	\$ 10,445	\$ 12,464
Loans and advances (Note 6)	5,415	5,178
Inventories held for resale (Note 7)	41,880	50,781
Capital assets (Notes 4 and 8)	1,684,936	1,710,082
	<u>\$ 1,742,676</u>	<u>\$ 1,778,505</u>
Liabilities		
Accounts payable and accrued liabilities (Note 3(c)(i))	\$ 52,492	\$ 45,492
Unearned revenue	465	180
Due to General Revenues (Note 4)	1,689,719	1,732,833
	<u>\$ 1,742,676</u>	<u>\$ 1,778,505</u>

The accompanying notes and schedules are part of these financial statements.

Department of Public Works, Supply and Services

Notes to the Financial Statements
March 31, 1998
(In thousands)

Note 1 Authority

The Department of Public Works, Supply and Services operates under the authority of the Government Organization Act, Statutes of Alberta.

Note 2 Purpose

The Department is responsible for providing common services to support government program delivery. The Department provides capital infrastructure, accommodation, information technology and procurement services.

Note 3 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments. The recommendations of the Public Sector Accounting and Auditing Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting and Auditing Board where it is considered appropriate.

(a) Reporting Entity

The reporting entity is the Department of Public Works, Supply and Services, which is part of the Ministry of Public Works, Supply and Services and for which the Minister of Public Works, Supply and Services is accountable. The other entity reporting to the Minister is the Public Works, Supply and Services Revolving Fund. The activities of this organization are not included in these financial statements.

Since significant financial transactions of the Ministry are reported outside the departmental financial statements, the Ministry financial statements provide a more comprehensive accounting of the financial position and results of the Ministry's operations. The Ministry Annual Report provides a more complete picture of the responsibilities for which the Minister is accountable.

Note 3 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

(a) Reporting Entity (cont'd)

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Provincial Treasurer. All revenues collected by the departments are deposited into the Fund and all disbursements made by the departments are paid from the Fund.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Dedicated Revenue

Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues must be shown as credits or recoveries in the details for the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's expense budget is reduced.

Conversely if actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program. Schedule 2 discloses information on the Department's dedicated revenue initiative.

Expenses

Expenses represent the costs of resources consumed during the year on the Department's operations. Expenses include amortization of capital assets.

Pension costs included in these statements comprise the cost of employer contributions for the current service of employees during the year and additional employer contributions for employees' service relating to prior years.

Certain expenses, primarily for legal advice and banking services, incurred on behalf of the Department by other ministries, are not reflected in the Statement of Revenues and Expenses.

(b) Basis of Financial Reporting (cont'd)

Valuation Adjustments

Valuation adjustments include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to guarantees, indemnities, and deficits of provincial agencies within the Ministry.

Assets

Financial assets of the Department are limited to financial claims, such as advances to and receivables from other organizations, employees and other individuals as well as inventories held for resale.

Capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. All land is capitalized. The threshold for capitalizing new systems development is one hundred thousand dollars and the threshold for all other capital assets is fifteen thousand dollars. Assets acquired by right are not included. In addition, donated capital assets are recorded at nil cost.

Capital assets of the Department include work in process for buildings, computer hardware and software, and dams and water management structures. These costs are capitalized but not amortized until the asset is in service.

Capital assets no longer required are transferred to inventories held for resale and are valued at the lower of net book value and net realizable value.

Liabilities

Liabilities include all financial claims payable by the Department at fiscal year end, except long-term disability benefits and certain pension benefits, which are reflected in the financial statements of Treasury Department on behalf of all departments.

Due to General Revenues is the difference at fiscal year end between the value of assets held by the Department and its liabilities.

Note 3 Summary of Significant Accounting Policies and Reporting Practices (cont'd)

(c) Changes in Accounting Policy

- i) Effective April 1, 1996, valuation adjustments for vacation entitlements and allowance for doubtful accounts that were previously reported in the financial statements of Treasury on behalf of the Department, are reported by the Department in the Statement of Revenues and Expenses. In 1998, net operating results from continuing operations decreased and net contribution from General Revenues increased by \$904 (1997 - net operating results from continuing operations increased and net contribution from General Revenues decreased by \$784) as a result of this change.

Effective April 1, 1996, the Department reports liabilities associated with vacation entitlements. These liabilities were previously reported in the financial statements of Treasury. In 1998, accounts payable and accrued liabilities increased and due to General Revenues decreased by \$7,324 (1997 - accounts payable and accrued liabilities increased and due to General Revenues decreased by \$6,571) as a result of this change.

- ii) Effective April 1, 1997, the Department reports tenant improvements on both owned and leased buildings as an expense. Previously, tenant improvements on leased buildings were capitalized and tenant improvements on owned buildings were expensed. In 1998, net operating results from continuing operations decreased and net contribution from General Revenues increased by \$3,111 as a result of this change. This change is being accounted for prospectively.

Note 4 Prior Period Adjustments

The financial statements have been restated to reflect the correction of prior period errors.

Public Works, Supply and Services discovered duplicate capital assets with a net book value of \$25,938. As a result of the correction of the error, 1997 capital assets decreased and due to General Revenues decreased by \$25,938. Correction of the error had no impact on the 1998 Statement of Revenues and Expenses or the Statement of Assets and Liabilities.

In 1996, Public Works, Supply and Services leased the Grande Cache Correctional Facility to the Federal Government. The terms of the agreement indicate the value of the facility became impaired at the time the lease was entered into. As a result of the correction of the error, 1997 capital assets decreased and due to General Revenues decreased by \$24,233. Correction of the error had no impact on the 1998 Statement of Revenues and Expenses or the Statement of Assets and Liabilities.

Note 5 Accounts Receivable

	1998		1997
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value
Accounts receivable	\$ 8,998	\$ 706	\$ 8,292
Refunds from suppliers	2,153	-	2,153
	<u>\$ 11,151</u>	<u>\$ 706</u>	<u>\$ 10,445</u>

Accounts receivable are unsecured and non-interest bearing.

Note 6 Loans and Advances

	1998		1997
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value
Accountable advances	\$ 871	\$ -	\$ 871
Mortgages receivable	4,544	-	4,544
	<u>\$ 5,415</u>	<u>\$ -</u>	<u>\$ 5,415</u>

a) Accountable Advances

Public Works, Supply and Services has used funds advanced by Treasury to establish petty cash funds, provide travel advances and set up damage deposits for foreign leases.

b) Mortgages Receivable

A mortgage receivable was extended to the Municipality of Wood Buffalo as consideration for their purchase of a building from Public Works, Supply and Services. The mortgage is repayable in annual installments which include principal and interest. The effective interest rate included in the payments is 6 1/4% per annum. The current annual installment of the mortgage receivable is \$375 and the final installment of \$3,558 is due on January 1, 2000.

Other mortgages receivable totaling \$1,040 are repayable over the next three years as follows: \$483 in 1999, \$247 in 2000 and \$310 in 2001. These mortgages are non-interest bearing.

Note 7 Inventories Held for Resale

	1998				1997	
	Opening Balance	Transfers	Disposals	Write downs	Closing Balance	Closing Balance
Land	\$ 42,270	\$ 342	\$ 6,879	\$ 1,786	\$ 33,947	\$ 42,270
Buildings	8,511	1,101	1,533	146	7,933	8,511
Total	<u>\$ 50,781</u>	<u>\$ 1,443</u>	<u>\$ 8,412</u>	<u>\$ 1,932</u>	<u>\$ 41,880</u>	<u>\$ 50,781</u>

Note 8 Capital Assets

		1998			1997	
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Net Book Value
General capital assets:						
Land	Indefinite	\$ 559,205	\$ -	\$ 559,205	\$ 545,868	
Buildings ⁽¹⁾	40 years	1,729,691	667,598	1,062,093	1,120,512	
Equipment ⁽²⁾	10 years	12,263	9,836	2,427	3,392	
Computer hardware and software ⁽¹⁾	5 years	5,167	3,455	1,712	1,111	
Other ⁽³⁾	3-40 years	58,196	47,346	10,850	15,815	
		<u>2,364,522</u>	<u>728,235</u>	<u>1,636,287</u>	<u>1,686,698</u>	
Infrastructure assets:						
Land improvements	40 years	221	163	58	63	
Dams and water management structures ⁽¹⁾	100 years	48,591	-	48,591	23,321	
		<u>48,812</u>	<u>163</u>	<u>48,649</u>	<u>23,384</u>	
		<u>\$ 2,520,957</u>	<u>\$ 772,099</u>	<u>\$ 1,748,858</u>	<u>\$ 1,762,308</u>	

(1) Included in the cost and net book value of buildings, computer hardware and software, and dams and water management structures is work in progress amounting to \$94,418 (1997 - \$80,542).

(2) Includes telecommunications and other equipment.

(3) Includes trailers and leasehold improvements.

Land and buildings in the net amount of \$1,443 (1997 - \$8,056) were transferred to inventories held for resale.

Note 9 Loss on Disposal of Capital Assets

Effective March 31, 1998, the program delivery of the Alberta Fire Training School was transferred from the Ministry of Labour to Lakeland College. As well, land, buildings, and equipment were transferred from the Department of Public Works, Supply and Services to the College for a nominal amount, resulting in a \$5,255 loss on disposal.

Note 10 Net Contribution from General Revenues

Since revenues generated by the Department are less than the expenses of the Department, additional funding is provided from General Revenues of the Province. Net contributions to the Department from General Revenues together with the revenues reported by the Department provide the total funding for the Department's expenses.

Net contribution from General Revenues is as follows:

	1998	1997
Net operating results from continuing operations	<u>\$ 429,584</u>	<u>\$ 398,623</u>

Note 11 Commitments

(a) Operating Leases

The Department leases certain space under operating leases which expire on various dates to 2025. The aggregate amounts payable for the unexpired terms of these leases are as follows:

1999	\$ 61,948
2000	53,562
2001	43,995
2002	33,439
2003	24,127
Thereafter	111,921
	<u>\$ 328,992</u>

Note 11 Commitments (cont'd)**(b) Capital Projects**

The Department is committed to fund the construction and upgrade of various facilities in the Province. The total cost of ongoing projects and the cost to complete approved phases of these projects are as follows:

	1998	1997
Total project costs	\$ 699,928	\$ 757,380
Costs relating to phases not yet approved	(308,260)	(371,471)
Total committed	391,668	385,909
Total expended to March 31	(348,016)	(373,576)
Remaining commitment as at March 31	<u>\$ 43,652</u>	<u>\$ 12,333</u>

(c) Other Commitments

As at March 31, 1998, the Department is committed to contracts to purchase equipment, supplies and services totaling \$51,602 (1997 - \$37,192).

Note 12 Contingencies

As at March 31, 1998, the Department was named as defendant in various legal actions. The total claimed in these legal actions amount to approximately \$432,414 (1997 - \$444,561). The resulting loss, if any, from these claims can not be determined at this time. The Department recognizes expenses relating to these claims in the period final settlement is determined.

The Department also has a contingent liability with respect to future site restoration costs associated with certain highway maintenance yards and other properties. The Department recognizes these expenses in the period site restoration work is performed.

Note 13 Related Party Transactions

Accommodation expenses of \$171,321 (1997 - \$169,704) and telecommunications expenses of \$24,293 (1997 - \$26,787) were incurred by the Department on behalf of other government organizations. Legal, personnel, and certain financial costs were provided to the Department by other government organizations at no cost. Rental revenues of \$1,902 (1997 - \$1,689) were received by the Department from other government organizations.

Note 13 Related Party Transactions (cont'd)

The Department paid \$24,039 (1997 - \$23,783) to the Public Works, Supply and Services Revolving Fund for supplies and services during the fiscal year. The Department also contributed \$616 (1997 - \$517) to the Revolving Fund for the government-wide Integrated Management (Alberta Government) Information Systems ("IMAGIS") project. In addition, the Department paid Payment Systems Corporation (PSC), a joint venture partially owned by the Province of Alberta, \$803 (1997 - \$291) for computer processing. Payables to the Revolving Fund at year end were \$174 (1997 - \$3,541), and receivables from related parties outstanding at year end were \$147 (1997 - \$72).

The Department and its employees paid certain taxes and fees set by regulation for permits, licences and other rights. These amounts were incurred in the normal course of business and reflect charges applicable to all users.

Land owned by the Department was transferred to Environmental Protection at net book value of \$609 on March 31, 1998. Land was transferred to the Department from Treasury at net book value of \$1,085 on December 1, 1997. Due to General Revenues was increased by \$476 as a result of these transfers.

Note 14 Trust Funds Under Administration

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, 1998 trust funds under administration were as follows:

	1998	1997
General Trust Fund	\$ 373	\$ 404
Security Deposit Trust Fund	74	61
	<u>\$ 447</u>	<u>\$ 465</u>

Note 15 Uncertainty Due to the Year 2000

The year 2000 issue is the result of some computer programs being written using two digits rather than four to define the applicable year. Government computer programs that have date sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. In addition, similar problems may arise in some systems if certain dates in 1999 are not recognized as a valid date or are recognized to represent something other than a date. The effects of the year

Note 15 Uncertainty Due to the Year 2000 (cont'd)

2000 issue may be experienced before, on, or after January 1, 2000. If not addressed, the effect on operations and financial reporting may range from minor errors to significant systems failure that could affect the ability to conduct some government operations.

The government is currently working to resolve the potential effect of the year 2000 on the processing of date sensitive information by the government's computerized information systems in a timely manner. The costs of addressing potential problems by modifying, replacing or retiring significant portions of computerized information systems are not expected to have a material adverse effect on the Province's financial condition. Despite the government's efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 issue affecting the government, including those related to the efforts of customers, suppliers and other third parties, will be fully resolved.

Note 16 Comparative Figures

Certain 1997 figures have been reclassified to conform to 1998 presentation.

Note 17 Alberta Vocational Colleges (AVCs)

Prior to 1997-98, the Province's four AVCs were administered by the Ministry of Advanced Education and Career Development. During the year, the government began the transition of the AVCs to board governance.

As part of the transition, over the period 2000 - 2001 Public Works, Supply and Services is expected to transfer land and buildings to the Ministry of Advanced Education and Career Development which will subsequently transfer these assets to the AVCs. The land and buildings that will be transferred had a net book value of sixty-four million dollars at March 31, 1998. In addition, Public Works, Supply and Services will be upgrading the AVC facilities prior to the transfer. Public Works, Supply and Services will also transfer annual funding of six million five hundred thousand dollars, relating to facility operating and maintenance costs effective April 1, 1998.

Note 18 Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Department of Public Works, Supply and Services

Schedule to Financial Statements

Revenues

For the year ended March 31, 1998

Schedule 1

	(In thousands)		
	1998		1997
	Budget	Actual	Actual
Fees, permits, and licences:			
Civil service parking	\$ 2,470	\$ 2,407	\$ 2,402
Other revenues:			
Investment income	4,000	1,791	2,487
Refunds of expenditures:			
Previous years' refunds	5,000	4,198	7,454
Surplus sales	1,390	1,823	2,963
Miscellaneous:			
Rentals (land and buildings)	11,020	11,716	13,214
Utilities	-	150	128
Dedicated revenue (Schedule 2)	1,500	3,885	1,632
Other	50	360	406
	<u>22,960</u>	<u>23,923</u>	<u>28,284</u>
Total revenues	\$ 25,430	\$ 26,330	\$ 30,686

Department of Public Works, Supply and Services

Schedule to Financial Statements
Dedicated Revenue Initiative
For the year ended March 31, 1998

Schedule 2

(In thousands)			
	1998		1997
	Authorized Budget	Actual	Actual
Social housing:			
Dedicated revenue	\$ (1,500)	\$ (3,885)	\$ (1,632)
Expense	16,500	20,211	15,080
Net expense	<u>\$ 15,000</u>	<u>\$ 16,326</u>	<u>\$ 13,448</u>

Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's budget is reduced. Conversely, if actual dedicated revenues exceed budget, the Department may, with the approval of the Treasury Board, use the excess revenue to fund additional expenses on the program.

The above dedicated revenue and expense are included in the Consolidated Statement of Revenues and Expenses. Dedicated revenue represents a partial reimbursement of certain expenditures incurred by Public Works, Supply and Services at the request of the following lodge foundations:

Acadia Foundation, Foothills Foundation, Hythe and District Homes, Leduc Foundation, Marquis Foundation, Municipal District of St. Paul Foundation, Paintearth Foundation, Parkland Foundation, Pincher Creek Foundation, Ridge Country Housing, Rocky View Foundation, and Sturgeon Foundation.

Department of Public Works, Supply and Services

Schedule to Financial Statements
Budget
For the year ended March 31, 1998

Schedule 3

(in thousands)

	1997-98 Estimates (d)	Discontinued Operations	Transfer of Responsibility	1997-98 Budget	Voted Supplementary (d)	1997-98 Authorized Budget
Revenues:						
Fees, permits, and licences	\$ 2,470	\$ -	\$ -	\$ 2,470	\$ -	\$ 2,470
Other revenues	22,960	-	-	22,960	-	22,960
	<u>\$ 25,430</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,430</u>	<u>\$ -</u>	<u>\$ 25,430</u>
Expenses:						
Voted expenses (a)						
Military support services	\$ 7,005	\$ -	\$ -	\$ 7,005	\$ -	\$ 7,005
Information technology and supply	40,730	-	-	40,730	-	40,730
Management of properties	177,045	-	-	177,045	-	177,045
Planning and implementation of construction projects	210,430	-	-	210,430	6,600	217,030
Office of the Chief Information Officer (b)	-	-	500	500	11	511
	<u>435,210</u>	<u>-</u>	<u>500</u>	<u>435,710</u>	<u>6,611</u>	<u>442,321</u>
Valuation adjustments (c)						
Provision for doubtful accounts	285	-	-	285	-	285
Provision for vacation pay	-	-	-	-	-	-
	<u>285</u>	<u>-</u>	<u>-</u>	<u>285</u>	<u>-</u>	<u>285</u>
Excess (deficit) of capital assets (e)						
Write-down of capital assets (f)	5,000	-	-	5,000	-	5,000
Write-down of capital assets (g)	1,000	-	-	1,000	-	1,000
Write-down of investments and net assets (h)	9,000	-	-	9,000	-	9,000
	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
	<u>\$450,495</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 450,995</u>	<u>\$ 7,871</u>	<u>\$ 458,866</u>
Net contribution from Capital Revenues	<u>\$ 425,065</u>	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 425,565</u>	<u>\$ 7,871</u>	<u>\$ 433,436</u>

(a) In the event that actual voted expenses exceed that budgeted the Department will report net liabilities.

In the subsequent year, the Department will need to reduce its actual voted expenses below the amount included in its payments for the next future.

(b) Responsibility for Office of the Chief Information Officer was transferred from Executive Council effective April 1, 1997.

(c) In the event that actual vacancy expenses, actual location adjustments and actual loss on disposal of capital assets exceed that budgeted, Capital Revenues will contribute towards funding the project net liability in the Department.

(d) Government Estimates were approved on May 29, 1997. Supplementary Estimates were approved on February 26, 1998.

(e) \$16 million was provided for government assets and \$1.275 million for a Department Award bonus.

Department of Public Works, Supply and Services

Schedule to Financial Statements
Expenses Detailed by Object
For the year ended March 31, 1998

Schedule 4

	(In thousands)		
	1998		1997
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
<u>Voted:</u>			
Salaries, wages & employee benefits (Schedule 6)	\$ 52,576	\$ 51,035	\$ 49,452
Supplies and services	222,589	238,982	216,708
Grants	109,500	97,558	105,938
Financial transactions and other	45	45	45
Amortization of capital assets	51,000	48,488	48,496
Total voted expenses for continuing operations	<u>\$ 435,710</u>	<u>\$ 436,108</u>	<u>\$ 420,639</u>

Department of Public Works, Supply and Services

Schedule to Financial Statements
Purchases of Capital Assets
For the year ended March 31, 1998

Schedule 5

(In thousands)

	1997-98 Estimates	Transfer of Responsibility	1997-98 Budget	Voted Supplementary	1997-98 Authorized Budget	1997-98 Actual	1996-97 Actual
Information Technology and Supply							
2.0.1 Information Mgmt & Technology	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 710	\$ 72
2.0.2 Supply	75	-	75	-	75	-	-
	<u>75</u>	<u>-</u>	<u>75</u>	<u>-</u>	<u>75</u>	<u>710</u>	<u>72</u>
Management of Properties							
3.0.1 Property Management Business Support	-	-	-	-	-	295	245
3.0.2 Property Management Operations	260	-	260	-	260	246	-
	<u>260</u>	<u>-</u>	<u>260</u>	<u>-</u>	<u>260</u>	<u>541</u>	<u>245</u>
Planning and Implementation of Construction Projects							
4.1 Property Development							
4.1.1 Operations & Technical Support	150	-	150	-	150	229	148
Total Sub-program	<u>150</u>	<u>-</u>	<u>150</u>	<u>-</u>	<u>150</u>	<u>229</u>	<u>148</u>
4.2 Advanced Education and Career Development							
4.2.24 Accommodation Projects	45	-	45	-	45	-	55
4.2.30 Vocational Training Centre - Wabasca Desmarais	-	-	-	-	-	-	-
Total Sub-program	<u>45</u>	<u>-</u>	<u>45</u>	<u>-</u>	<u>45</u>	<u>-</u>	<u>55</u>
4.3 Agriculture, Food and Rural Development							
4.3.1 Integrated Crops Research Centre - Bow Island	-	-	-	-	-	-	86
4.3.10 Tree Nursery and Horticulture Centre - Edmonton	-	-	-	-	-	-	6
4.3.20 Feed Crops Research Centre - Lacombe	1,500	-	1,500	-	1,500	1,437	-
4.3.21 Agriculture Research Centre - Lethbridge	-	-	-	-	-	-	129
4.3.29 Accommodation Projects	35	-	35	-	35	-	1
4.3.32 Provincial Grazing Reserves	-	-	-	-	-	-	2
Total Sub-program	<u>1,535</u>	<u>-</u>	<u>1,535</u>	<u>-</u>	<u>1,535</u>	<u>1,437</u>	<u>173</u>

Department of Public Works, Supply and Services

Schedule to Financial Statements
Purchases of Capital Assets
For the year ended March 31, 1998

Schedule 5

(In thousands)

	1997-98 Estimates	Transfer of Responsibility	1997-98 Budget	Voted Supplementary	1997-98 Authorized Budget	1997-98 Actual	1996-97 Actual
4.4 Community Development							
4.4.35 Ukrainian Cultural Heritage Village - Mundare	-	-	-	-	-	50	5
4.4.40 Accommodation Projects	650	-	650	-	650	49	531
4.4.46 AADAC Facilities	400	-	400	-	400	-	104
Total Sub-program	1,050	-	1,050	-	1,050	99	640
4.6 Education							
4.6.14 Accommodation Projects	200	-	200	-	200	-	-
Total Sub-program	200	-	200	-	200	-	-
4.7 Energy							
4.7.1 Accommodation Projects	-	-	-	-	-	-	271
Total Sub-program	-	-	-	-	-	-	271
4.8 Environmental Protection							
4.8.3 Surface Water Development and Control - Buffalo Lake	300	-	300	-	300	229	806
4.8.9 Little Bow River Project - Champion	5,000	-	5,000	-	5,000	3,161	332
4.8.19 Surface Water Development and Control - High Prairie	450	-	450	-	450	8	20
4.8.35 Oldman River Dam - Pincher Creek	-	-	-	-	-	197	277
4.8.36 Waterworks Interpretive Centre - Pincher Creek	800	-	800	-	800	-	41
4.8.42 Pine Coulee Project - Stavely	10,500	-	10,500	-	10,500	12,559	4,838
4.8.44 Accommodation Projects	300	-	300	-	300	-	-
4.8.45 Environmental Protection Facilities	-	-	-	-	-	151	213
4.8.47 Land Assembly	1,850	-	1,850	-	1,850	540	639
4.8.50 Alberta Environmental Centre - Vegreville	-	-	-	-	-	-	7
4.8.55 Waterton-St. Mary Headworks System	15,000	-	15,000	-	15,000	10,770	6,799
4.8.60 Carseland-Bow River Headworks System	2,700	-	2,700	-	2,700	960	447
4.8.61 Heart River - High Prairie	-	-	-	-	-	96	-
Total Sub-program	36,900	-	36,900	-	36,900	28,671	14,419

Department of Public Works, Supply and Services

Schedule to Financial Statements
Purchases of Capital Assets
For the year ended March 31, 1998

Schedule 5

(In thousands)

	1997-98 Estimates	Transfer of Responsibility	1997-98 Budget	Voted Supplementary	1997-98 Authorized Budget	1997-98 Actual	1996-97 Actual
4.10 Family and Social Services							
4.10.00 Mental Health - Red Deer							
4.10.44 Accommodation Projects	705		705		705	83	38
Total Sub-program	705		705		705	83	38
4.11 Health							
4.11.14 Capital Equipment							
4.11.94 Accommodation Projects	455		455		455	32	193
Total Sub-program	455		455		455	32	193
4.12 Justice							
4.12.11 Human Care - Capital							
4.12.49 Accommodation Projects	100		100		100	227	10
4.12.46 Correctional Camps						193	1
4.12.41 Correctional Centers							87
4.12.43 Court Facilities	60		60		60	420	41
Total Sub-program	160		160		160	420	89
4.13 Labour							
4.13.14 Adult's Full Training School - Vermilion							
4.13.10 Accommodation Projects							
Total Sub-program							
4.14 Multi-Use Facilities, PWSS							
4.14.14 Multi-Use Facilities Training							
4.14.24 Construction Building Infrastructure	100		100		100	12	
4.14.34 Accommodation Projects	2,300		2,300		2,300	461	
4.14.10 Fuel Dispensing System and Site Investigation							
4.14.15 Government Building	350		350		350	18	388
4.14.05 Fuel Transportation	205		205		205	1	381
4.14.00 Maintenance Project	7,000		7,000	2,500	9,500	1,467	1,467
4.14.01 Maintenance Construction Project	205		205		205	18	18
4.14.02 Off-Site Services						73	73
Total Sub-program	10,160		10,160	2,500	12,660	11,470	4,967

Department of Public Works, Supply and Services

Schedule to Financial Statements
Purchases of Capital Assets
For the year ended March 31, 1998

Schedule 5

(In thousands)

	1997-98 Estimates	Transfer of Responsibility	1997-98 Budget	Voted Supplementary	1997-98 Authorized Budget	1997-98 Actual	1996-97 Actual
4.15 Municipal Affairs							
4.15.2 Accommodation Projects	-	-	-	-	-	-	15
Total Sub-program	-	-	-	-	-	-	15
4.16 Transportation and Utilities							
4.16.39 Accommodation Projects	80	-	80	-	80	-	946
Total Sub-program	80	-	80	-	80	-	946
4.17 Science, Research and Information Technology							
4.17.1 Accommodation Projects	80	-	80	-	80	-	-
4.17.10 Alberta Research Council, Millwoods-Edmonton	60	-	60	-	60	-	72
Total Sub-program	140	-	140	-	140	-	72
4.18 Federal and Intergovernmental Affairs							
4.18.1 Accommodation Projects	20	-	20	-	20	-	-
Total Sub-program	20	-	20	-	20	-	-
	51,600	-	51,600	2,500	54,100	42,298	22,518
Total Purchase of Capital Assets	\$ 51,935	\$ -	\$ 51,935	\$ 2,500	\$ 54,435	\$ 43,549	\$ 22,835

Department of Public Works, Supply and Services

Schedule to Financial Statements
Salaries and Benefits Disclosure⁽¹⁾
For the year ended March 31, 1998

Schedule 6

	1998				1997	
	Individuals ²	Salary ³	Benefits & Expenses ⁴	Total ⁵	Individuals ²	Salary ³
Mayor	1.0	\$ 107,743	\$ 15,266	\$ 123,009	1.0	\$ 107,743
Deputy Mayor	1.0	87,358	13,581	100,939	1.0	87,358
Information Management & Communications	0.3	26,836	4,500	31,336	0.3	26,836
Property & Supply	1.0	100,000	25,585	125,585	1.0	100,000
Realty Services	1.0	100,000	16,568	116,568	1.0	100,000
Executive Directors	1.0	97,199	15,550	112,749	1.0	97,199
Human Resources ⁽¹⁰⁾	1.0	97,199	15,550	112,749	1.0	97,199
Finance & Administration	1.0	98,351	18,729	117,080	1.0	98,351
Planning and Policy Development ⁽¹⁰⁾	1.0	98,351	18,729	117,080	1.0	98,351
Director	1.0	61,787	11,943	73,730	1.0	61,787
Communications	1.0	12,101,532	2,638,712	14,740,244	1.0	12,101,532
Other Managers (Average salary & benefits 1998-\$80,110)	724	24,560,388	4,355,800	28,916,249	724	24,560,388
Other Salaried Staff (Average salary & benefits 1997-\$55,843)	181	8,870,320	1,358,720	10,225,949	181	8,870,320
Non-salaried Staff		2,054,171	135,934	2,190,105		2,054,171
Other		2,385	739,549	741,934		2,385
Revolving Fund		(5,741,378)	(999,129)	(6,740,507)		(5,741,378)
Total		42,665,704	8,370,834	\$ 51,036,538		42,665,704

Department of Public Works, Supply and Services

Schedule to Financial Statements Salaries and Benefits Disclosure ⁽¹⁾ For the year ended March 31, 1998

Schedule 6

1. Includes all costs for employees of the Department, the Public Works, Supply and Services Revolving Fund, and the Office of the Chief Information Officer. Effective April 1, 1997, responsibility for the Office of the Chief Information Officer was transferred from Executive Council to Public Works, Supply and Services.
2. The number of individuals is based on a weighted average for the year.
3. Salary includes regular gross pay and supplementary payments to employees such as shift differential, paid overtime, Achievement Bonuses and remuneration increases.
4. Benefits and allowances includes the employer's share of all employee benefits and contributions or payments made on behalf of employees including health care, workers' compensation, life insurance, employment insurance, pension plans, dental plans, long-term disability insurance, professional memberships, tuition and payments in lieu of vacation earned but not taken.
5. The Deputy Minister is provided with an automobile. The taxable benefit is not included in the benefits and allowances figure.
6. The 1996-97 total for the Chief Information Officer was \$91,113 and is included in the financial statements of Executive Council.
7. As a result of organizational adjustments in August 1997, the responsibilities and/or names of the ADMships have been changed to better reflect the reorganization.
8. The 1997 total for the former Assistant Deputy Minister, Property Development is for the period of April 1, 1996 to January 20, 1997. The former ADM of Property Development left PWSS to assume the position of Deputy Minister of Alberta Labour.
9. The 1997 total includes salaries and benefits for the former Executive Director, Human Resources who retired in 1997 and the current Executive Director, Human Resources.
10. As part of Management Committee restructuring, the position of Executive Director, Planning and Policy Development was established in September 1997.
11. Non-salaried staff are wage employees paid at an hourly rate.
12. The Department Total includes salaries for employees on long term disability and conference fees for employees of the Department, and excludes salaries and benefits paid to employees of the Public Works, Supply and Services Revolving Fund.

Department of Public Works, Supply and Services

Schedule to Financial Statements Comparison of Expenses by Element to Authorized Budget For the year ended March 31, 1998

Schedule 7

A. Information					
Expenses					
Voted Expenses					
	1997-98 Budget	Voted Supplementary	1997-98 Authorized Budget	1997-98 Actual Expense	Underspent (Over Expended)
Ministry Support Services					
1.0.1. Minister's Office	270	\$	270	\$	\$
1.0.2. Deputy Minister's Office	260	-	260	260	64
1.0.3. Minister's Support	6,475	1,262	7,737	7,959	220
	7,005	1,262	8,267	8,438	171
Information, Technology and Supply					
2.0.1. Information Management and Technology	8,105	-	8,105	9,810	1,705
2.0.2. Supply	5,410	-	5,410	4,843	567
2.0.3. Telecommunications	27,215	-	27,215	24,703	2,512
	40,730	-	40,730	38,946	1,784
Management of Property					
3.0.1. Property Management Business Support	26,350	-	26,350	26,585	(235)
3.0.2. Property Management Operations	71,460	-	71,460	74,076	(2,616)
3.0.3. Location	79,135	-	79,135	71,050	8,085
3.0.4. Amortization of Capital Assets	100	-	100	38	62
	177,045	-	177,045	171,758	5,287
Planning and Implementation of Construction Projects					
4.1. Property Development					
4.1.1. Operation and Technical Support	18,435	-	18,435	18,707	(272)
Total Sub-program	18,435	-	18,435	18,707	(272)
Advanced Education and Career Development					
4.2. Career Development					
4.2.1. Albany Community College	250	-	250	238	12
4.2.2. Albany Community College Extension	260	-	260	25	235
4.2.3. Apprenticeship Program	10	-	10	1,222	(1,212)
4.2.4. AWC-ACC Building Expansion	350	-	350	-	350
4.2.5. Annual Training Career Workers Programme	710	-	710	65	645
Total Sub-program	710	-	710	1,550	(840)

Department of Public Works, Supply and Services

Schedule to Financial Statements Comparison of Expenses by Element to Authorized Budget For the year ended March 31, 1998

Schedule 7

(In thousands)

	1997-98 Budget	Voted Supplementary	1997-98 Authorized Budget	1997-98 Actual Expense	Underexpended (Over Expended)
4.3 Agriculture, Food and Rural Development					
4.3.20 Field Crops Research Centre - Lacombe	100	-	100	3	97
4.3.21 Agriculture Research Centre - Lethbridge	-	-	-	199	(199)
4.3.29 Accommodation Projects	-	-	-	113	(113)
4.3.30 Agriculture Facilities and Laboratories	200	-	200	304	(104)
Total Sub-program	300	-	300	619	(319)
4.4 Community Development					
4.4.5 Glenbow Alberta Institute - Calgary	-	-	-	2	(2)
4.4.8 Southern Alberta Jubilee Auditorium - Calgary	520	-	520	1,231	(711)
4.4.11 Remington-Alberta Carriage Centre - Cardston	-	-	-	9	(9)
4.4.22 Northern Alberta Jubilee Auditorium - Edmonton	790	-	790	755	35
4.4.28 Head-Smash-In Buffalo Jump - Fort McMurray	-	-	-	10	(10)
4.4.35 Ukrainian Cultural Heritage Village - Mundare	40	-	40	4	36
4.4.40 Accommodation Projects	400	-	400	545	(145)
4.4.46 AADAC Facilities	400	-	400	57	343
Total Sub-program	2,150	-	2,150	2,613	(463)
4.5 Economic Development and Tourism					
4.5.29 Accommodation Projects	50	-	50	-	50
Total Sub-program	50	-	50	-	50
4.6 Education					
4.6.5 Alberta Distant Learning Centre - Barrhead	-	-	-	68	(68)
4.6.14 Accommodation Projects	60	-	60	145	(85)
4.6.15 Portable Classroom Facilities	160	-	160	60	100
Total Sub-program	220	-	220	273	(53)

Department of Public Works, Supply and Services

Schedule to Financial Statements Comparison of Expenses by Element to Authorized Budget For the year ended March 31, 1998

Schedule 7

(In thousands)

	1997-98 Budget	Voted Supplementary	1997-98 Authorized Budget	1997-98 Actual Expense	Underspent (Over Expended)
4.7 Energy					
4.7.1 Accommodation Projects	-	-	-	1	(1)
Total Sub-program	-	-	-	1	(1)
4.8 Environmental Protection					
4.8.3 Surface Water Development and Control - Buffalo Lake	-	-	-	2	(2)
4.8.4.4 Accommodation Projects	225	-	225	1,074	(849)
4.8.4.5 Environmental Protection Facilities and Assembly	-	-	-	74	(74)
Total Sub-program	225	-	225	1,150	(925)
4.10 Family and Social Services					
4.10.10 Eric Cormack Centre - Edmonton	80	-	80	173	(93)
4.10.38 Alchener Centre - Red Deer	150	-	150	1	149
4.10.44 Accommodation Projects	365	-	365	523	(158)
Total Sub-program	595	-	595	697	(102)
4.11 Health					
4.11.1 Capital Upgrading	25,000	-	25,000	35,989	(10,989)
4.11.3 Health Facilities Projects	20,880	-	20,880	480	20,400
4.11.8 Health Centre - Andrie	-	-	-	2,495	(2,495)
4.11.11 Carewest Alzheimer Care Centre - Calgary	2,500	-	2,500	1,000	1,500
4.11.13 Peter Lougheed Centre - Calgary	6,000	-	6,000	4,100	1,900
4.11.14 Foothills Medical Centre - Calgary	3,300	-	3,300	2,000	1,300
4.11.18 General Hospital - Calgary	-	-	-	3,585	(3,585)
4.11.18 Rockyview Hospital - Calgary	7,300	-	7,300	8,000	(700)
4.11.19 Tom Baker Cancer Centre - Calgary	10,495	-	10,495	5,350	5,145
4.11.20 Care Housing Facility - Calgary	-	-	-	4,000	(4,000)
4.11.21 Bethany Alzheimer Care Centre - Calgary	1,280	-	1,280	700	580
4.11.32 Regional Health Centre - Drumheller	1,325	-	1,325	1,350	(25)
4.11.36 Capital Care - Norwood - Edmonton	6,400	-	6,400	7,045	(645)
4.11.37 Children's Health Centre - Edmonton	3,400	-	3,400	-	3,400

Department of Public Works, Supply and Services

Schedule to Financial Statements
Comparison of Expenses by Element to Authorized Budget
For the year ended March 31, 1998

Schedule 7

(In thousands)

	1997-98 Budget	Voted Supplementary	1997-98 Authorized Budget	1997-98 Actual Expense	Under/Over (Over/Expended)
4.11.40 Grey Nuns Community Health Centre - Edmonton	200	-	200	40	160
4.11.43 Misericordia Community Health Centre - Edmonton	500	-	500	130	370
4.11.44 Royal Alexandra Hospitals - Edmonton	650	-	650	1,000	(350)
4.11.46 University of Alberta Hospitals - Edmonton	1,600	-	1,600	5,920	(4,320)
4.11.47 Northeast Community Health Centre - Edmonton	6,400	-	6,400	6,225	175
4.11.62 Continuing Care Facility - La Crete	-	-	-	500	(500)
4.11.64 Health Care Centre - Lamont	300	-	300	2,700	(2,400)
4.11.66 St. Michael's Continuing Care Centre - Lethbridge	1,200	-	1,200	1,200	-
4.11.72 Regional Hospital - Medicine Hat	1,650	-	1,650	1,660	(10)
4.11.78 Health Centre - Peace River	3,000	-	3,000	2,500	500
4.11.85 General Hospital - Slave Lake	2,150	-	2,150	2,150	-
4.11.86 Community Health Centre - Spirit River	2,000	-	2,000	350	1,650
4.11.88 Municipal Hospital - Stony Plain	-	-	-	370	(370)
4.11.94 Westlock Healthcare Centre	-	-	-	380	(380)
4.11.96 Health Care Centre - Whitecourt	500	-	500	500	-
4.11.98 Accommodation Projects	90	-	90	1,321	(1,231)
Total Sub-program	108,090	-	108,090	100,010	8,080
4.12 Justice					
4.12.7 Court of Queen's Bench - Calgary	-	-	-	37	(37)
4.12.10 Provincial Court - Calgary	250	-	250	-	250
4.12.11 Remand Centre - Calgary	-	-	-	141	(141)
4.12.39 Accommodation Projects	300	-	300	106	194
4.12.40 Correctional Camps	-	-	-	7	(7)
4.12.41 Correctional Centres	120	-	120	641	(521)
4.12.42 Court Facilities	170	-	170	731	(561)
Total Sub-program	840	-	840	1,663	(823)
4.13 Labour					
4.13.16 Accommodation Projects	-	-	-	158	(158)
Total Sub-program	-	-	-	158	(158)

Department of Public Works, Supply and Services

Schedule to Financial Statements
Comparison of Expenses by Element to Authorized Budget
For the year ended March 31, 1998

Schedule 7

(In thousands)

	1997-98 Budget	Voted Supplementary	1997-98 Authorized Budget	1997-98 Actual Expense	Underspent (Over Expend)
4.14 Multi-Use Facilities, PWSS					
4.14.34 Levee/Marine Building - Edmonton	400		400	47,484	400
4.14.80 Amortization of Capital Assets	49,100		49,100	1,104	1,646
4.14.84 Accommodation Projects	965		965	77	(1,390)
4.14.85 Clean Air Strategy Objectives	100		100	23	77
4.14.86 Fuel Dispensing Systems and Site Restorations	755		755	293	462
4.14.87 Government Buildings	1,000		1,000	2,136	(1,136)
4.14.88 Land Transactions	1,300	6,600	7,900	6,614	1,286
4.14.90 Miscellaneous Projects	6,500		6,500	7,333	(833)
4.14.91 Miscellaneous Demolition Projects	200		200	12	188
4.14.92 Off Site Services	400		400	304	96
Total Sub-program	60,720	6,600	67,320	65,263	2,057
4.15 Municipal Affairs					
4.15.2 Accommodation Projects	230		230	1,125	(1,125)
4.15.3 Lodge Upgrades	20		20	1,141	(911)
4.15.4 Big Hill Lodge - Cochrane	20		20	70	50
4.15.5 Phoenix Valley Lodge - Athabasca	430		430	11	(11)
4.15.6 Phoenix Lodge - Beauport	430		430	436	(6)
4.15.7 Phoenix Lodge - Beauport	430		430	3	(2)
4.15.8 Phoenix Lodge - Beauport	430		430	1,108	(92)
4.15.9 High Country Lodge - Black Diamond	1,200		1,200	62	(42)
4.15.10 York Creek Lodge - Blairmore	20		20	12	(12)
4.15.11 Pleasant View Lodge - Bark Island	30		30	83	53
4.15.12 Wildman Valley Lodge	30		30	39	(9)
4.15.13 Newbrook Lodge - Brooks	730		730	730	0
4.15.14 Bow Valley 1991 Lodge - Calgary	600		600	600	0
4.15.15 Bow Valley 1990 Lodge - Calgary	670		670	670	0
4.15.16 Bow Valley 1991 Lodge - Calgary	60		60	60	0
4.15.17 Bow Valley 1991 Lodge - Calgary	30		30	32	(2)
4.15.18 Bow Valley 1991 Lodge - Calgary	30		30	60	(30)
4.15.19 Bow Valley 1991 Lodge - Calgary	30		30	30	0
4.15.20 Bow Valley 1991 Lodge - Calgary	70		70	113	(43)

Department of Public Works, Supply and Services

Schedule to Financial Statements Comparison of Expenses by Element to Authorized Budget For the year ended March 31, 1998

Schedule 7

(In thousands)

	1997-98 Budget	Voted Supplementary	1997-98 Authorized Budget	1997-98 Actual Expense	Underspent (Over Expended)
4.15.28 Rocky View Lodge - Crossfield	860	-	860	1,319	(459)
4.15.30 Elmwood Lodge - Edmonton	190	-	190	-	190
4.15.31 Kiwanis Place Lodge - Edmonton	10	-	10	-	10
4.15.32 McQueen Lodge - Edmonton	170	-	170	2,114	(1,944)
4.15.37 Sunshine Lodge - Drumheller	60	-	60	57	3
4.15.38 Tofteld Lodge - Tofteld	50	-	50	31	19
4.15.39 Golden Acres Lodge - Lethbridge	60	-	60	1	59
4.15.41 MacLeod Pioneer Lodge - Fort MacLeod	195	-	195	118	77
4.15.43 Heritage Lodge - Grande Prairie	740	-	740	834	(94)
4.15.45 Hanna Lodge - Hanna	950	-	950	1,203	(253)
4.15.46 Pleasantview Lodge - High Prairie	10	-	10	-	10
4.15.47 Medicine Tree Manor - High River	1,430	-	1,430	1,777	(347)
4.15.48 Homesteader Lodge - Hines Creek	70	-	70	-	70
4.15.49 Pioneer Home - Hythe	830	-	830	1,321	(491)
4.15.50 Autumn Glen Lodge - Innisfail	365	-	365	441	(76)
4.15.51 Lacalta Lodge - Lac La Biche	250	-	250	253	(3)
4.15.52 Lacombe Senior Citizens Lodge - Lacombe	60	-	60	6	54
4.15.54 Pleasantview Manor - Leduc	1,500	-	1,500	1,520	(20)
4.15.56 Green Acres Lodge - Lethbridge	100	-	100	-	100
4.15.57 Chateau Sturgeon - Legal	1,040	-	1,040	1,282	(242)
4.15.58 Pioneer Lodge - Lloydminster	10	-	10	9	1
4.15.59 Diamond Willow Lodge - Magrath	20	-	20	26	(6)
4.15.60 Del-Air Lodge - Manning	160	-	160	23	137
4.15.61 Pleasantview Lodge - Mayerthorpe	70	-	70	15	55
4.15.62 Cypress View Lodge - Medicine Hat	-	-	-	150	(150)
4.15.63 Heritage Lodge - Morinville	690	-	690	869	(179)
4.15.64 Father Filas Manor - Mundare	60	-	60	55	5
4.15.65 Eagle View Lodge - Myram	30	-	30	73	(43)
4.15.66 Mountview Lodge - Olds	-	-	-	38	(38)
4.15.67 Oyen Lodge - Oyen	60	-	60	55	5
4.15.68 Crest View Lodge - Pincher Creek	195	-	195	45	150
4.15.70 Hillcrest Lodge - Provost	-	-	-	11	(11)
4.15.72 Ridgeview Lodge - Raymond	470	-	470	1,053	(583)

Department of Public Works, Supply and Services

Schedule to Financial Statements

Comparison of Expenses by Element to Authorized Budget

For the year ended March 31, 1998

Schedule 7

(In thousands)

	1997-98 Budget	Voted Supplementary	1997-98 Authorized Budget	1997-98 Actual Expense	Under/Over (Over/Expended)
4 15 73 Golden Hills Lodge - Three Hills	60	-	60	79	(19)
4 15 74 Piper Creek Lodge - Red Deer	-	-	-	9	(9)
4 15 75 Diamond Springs Lodge - Redwater	-	-	-	16	(16)
4 15 77 Flagstaff Lodge - Sedgewick	-	-	-	16	(16)
4 15 79 Bar-V-Nook Manor - Smoky Lake	5	-	5	-	5
4 15 80 Pleasantsview Lodge - Spirit River	-	-	-	-	-
4 15 82 Sunnyside Manor - St. Paul	810	-	810	1,743	(933)
4 15 87 Thorild Lodge - Thorhild	-	-	-	45	(45)
4 15 88 Red Willow Lodge - Valleyview	10	-	10	162	(152)
4 15 90 The Homestead Lodge - Vegreville	5	-	5	-	5
4 15 91 Vermilion Valley Lodge - Vermilion	-	-	-	1	(1)
4 15 92 Valda Lodge - Viking	10	-	10	-	10
4 15 93 Valda Lodge - Vilna	60	-	60	51	9
4 15 94 Peter Dawson Lodge - Vulcan	655	-	655	272	383
Total Sub-program	16,500	-	16,500	21,336	(4,836)
4.16 Transportation and Utilities					
4 16 39 Accommodation Projects	70	-	70	838	(768)
Total Sub-program	70	-	70	838	(768)

Department of Public Works, Supply and Services

Schedule 7

Schedule to Financial Statements Comparison of Expenses by Element to Authorized Budget For the year ended March 31, 1998

(In thousands)

	1997-98 Budget	Voted Supplementary	1997-98 Authorized Budget	1997-98 Actual Expense	Underexpended (Over Expended)
4.17 Science, Research and Information Technology					
4.17.1 Accommodation Projects	20	-	20	32	(12)
4.17.5 Coal Research Centre - Devon	-	-	-	45	(45)
4.17.10 Alberta Research Council, Millwoods - Edmonton	900	-	900	850	50
4.17.18 Alberta Research Council Facilities	600	-	600	223	377
Total Sub-program	1,520	-	1,520	1,150	370
4.18 Federal and Intergovernmental Affairs					
4.18.1 Accommodation Projects	5	-	5	-	5
Total Sub-program	5	-	5	-	5
4.19 Treasury					
4.19.1 Accommodation Projects	-	-	-	416	(416)
Total Sub-program	-	-	-	416	(416)
CIO	210,430	6,600	217,030	216,444	586
5.0.1 Office of the Chief Information Officer	500	11	511	510	1
	500	11	511	510	1
Total Voted Expenses	\$ 435,710	\$ 7,873	\$ 443,583	\$ 436,108	\$ 7,475

Public Works, Supply and Services Revolving Fund

Financial Statements

March 31, 1998

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AUDITOR'S REPORT

To the Minister of Public Works, Supply and Services

I have audited the statement of assets, liabilities and retained earnings of the Public Works, Supply and Services Revolving Fund as at March 31, 1998 and the statements of revenues, expenses and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Revolving Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Public Works, Supply and Services Revolving Fund is required to follow the corporate government accounting policies and reporting practices as disclosed in Note 2. These accounting policies have been established by Alberta Treasury and are consistent across ministries. With certain exceptions, the basis of accounting is in accordance with generally accepted accounting principles. My reservation of opinion in this auditor's report identifies the exceptions from generally accepted accounting principles that arise from following the accounting policies established by Alberta Treasury.

The following accounting policies are exceptions from generally accepted accounting principles:

Capitalization of assets

Capital asset purchases under \$15,000 in the Revolving Fund have been expensed in the year acquired and have not been recognized as an asset in the accompanying statement of assets, liabilities and retaining earnings. Consequently, the annual amortization of these assets has not been recognized in the statement of revenues, expenses and retained earnings. In my view, an amount of approximately \$1,620,000, representing the net book value of these assets as at March 31, 1998, should be recognized in these financial statements. The effect of this understatement of assets is to overstate expenses by approximately \$675,000 for the year ended March 31, 1998.

Pension obligations

Obligations to pension plans for current and former employees of the Revolving Fund have not been recognized as a liability in the accompanying statement of assets, liabilities and retaining earnings and consequently the annual change in the liability has not been recognized in the statement of revenues, expenses and retained earnings. In my view, on a basis of allocation similar to that used for Provincial agencies, an amount of approximately \$530,000 due to pension plans at March 31, 1998, in the Revolving Fund's capacity as employer, and which is reflected in the financial statements of the Department of Treasury, should be recognized as a liability in these financial statements. The effect of not recognizing the annual change in the liability is to overstate the Revolving Fund's expenses by approximately \$375,000 for the year ended March 31, 1998.

Employee entitlements

Accrued employee vacation entitlements have not been recognized as a liability in the accompanying statement of assets, liabilities and retained earnings and consequently the annual change in the liability has not been recognized in the statement of revenues, expenses and retained earnings. In my view, an amount of approximately \$700,000 representing accrued entitlements and benefits at March 31, 1998, and which is reflected in the financial statements of the Department of Public Works, Supply and Services, should be recognized in these financial statements. The effect of this understatement of liabilities is to overstate expenses by approximately \$105,000 for the year ended March 31, 1998.

Excluded direct costs

Accommodation and certain other administration costs incurred in the operation of the Revolving Fund have not been included in expenses. These costs, estimated at \$3,050,000, are recorded by the departments that paid the expenses on behalf of the Revolving Fund.

In my opinion, except for the effects of the matters discussed in the preceding section, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Peter Valentine

ICA

Auditor General

Edmonton, Alberta

May 22, 1998

The official version of this Report of the Auditor General and the information the Report covers is in printed form.

Public Works, Supply and Services Revolving Fund

Statement of Revenues, Expenses and Retained Earnings For the year ended March 31, 1998

	(In thousands)		
	1998		1997
	<u>Budget</u> (Note 11)	<u>Actual</u>	<u>Actual</u>
Revenues (Schedule 1)			
Service revenue	\$ 52,700	\$ 47,566	\$ 47,205
Sales	3,700	3,108	3,264
Contribution to IMAGIS (Note 3)	-	3,100	2,146
	<u>56,400</u>	<u>53,774</u>	<u>52,615</u>
Operating expenses (Note 5)(Schedule 1)			
Telephone and communications	17,831	13,877	16,760
Amortization of capital assets	9,240	7,714	7,172
Manpower	7,330	6,741	6,821
Repairs and maintenance	6,884	8,833	5,951
Rentals	3,024	3,425	3,570
Cost of sales	3,700	3,108	3,264
Professional, technical and labour services	3,817	3,553	3,284
Materials and supplies	2,980	3,335	3,205
Contribution to IMAGIS (Note 3)	-	3,100	2,146
Other purchased services	10	9	66
Data processing	669	3,927	495
Insurance	380	410	405
Employee severance costs	267	349	141
Travel	124	146	93
Freight and postage	93	76	69
Gain on disposal of capital assets	-	(85)	(900)
Miscellaneous	51	18	128
	<u>56,400</u>	<u>58,536</u>	<u>52,670</u>
Net loss for the year (Schedule 1)	-	(4,762)	(55)
Retained earnings, beginning of year	-	10,237	10,292
Retained earnings, end of year	<u>\$ -</u>	<u>\$ 5,475</u>	<u>\$ 10,237</u>

The accompanying notes and schedule are part of these financial statements.

Public Works, Supply and Services Revolving Fund

Statement of Changes in Financial Position For the year ended March 31, 1998

	(In thousands)	
	1998	1997
Operating transactions		
Net loss for the year	\$ (4,762)	\$ (55)
Non-cash items included in net operating results:		
Amortization of deferred capital contributions	(604)	(604)
Amortization of capital assets	7,714	7,172
Write-offs of capital assets	-	157
Gain on disposal of capital assets, net	(85)	(980)
	<u>2,263</u>	<u>5,770</u>
Net change in working capital (Note 6)	<u>7,636</u>	<u>(1,503)</u>
Cash provided by operating transactions	<u>9,899</u>	<u>4,269</u>
Investing transactions		
Purchases of capital assets	(20,288)	(19,932)
Proceeds from disposal of capital assets	963	980
Cash used by investing transactions	<u>(19,325)</u>	<u>(19,032)</u>
Net cash used	<u>(9,426)</u>	<u>(14,763)</u>
Increase in advance from the General Revenue Fund	<u>9,426</u>	<u>14,763</u>
Net increase (decrease) in cash	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes and schedule are part of these financial statements.

Public Works, Supply and Services Revolving Fund

Statement of Assets, Liabilities and Retained Earnings As at March 31, 1998

(In thousands)

	1998	1997
Assets		
Current:		
Accounts receivable	\$ 545	\$ 6,983
Inventories, Air Transportation (Note 2(e))	3,584	3,531
Inventories, postage	664	268
Prepaid expenses	1,403	1,141
	<u>6,196</u>	<u>11,923</u>
Capital assets (Note 3)	63,922	52,226
	<u>\$ 70,118</u>	<u>\$ 64,149</u>
Liabilities and Retained Earnings		
Current:		
Accounts payable and accrued liabilities	\$ 7,958	\$ 6,049
Deferred capital contributions (Note 4)	9,157	9,761
Advance from the General Revenue Fund	47,528	38,102
Retained earnings (Note 2(e))	5,475	10,237
	<u>\$ 70,118</u>	<u>\$ 64,149</u>

The accompanying notes and schedule are part of these financial statements.

Public Works, Supply and Services Revolving Fund

Notes to the Financial Statements

March 31, 1998

(In thousands)

Note 1 Authority and Purpose

The Public Works, Supply and Services Revolving Fund operates under the authority of section 21.1 of the Financial Administration Act, Chapter F-9, Revised Statutes of Alberta 1980, as amended.

The purpose of the Fund is to provide supplies and services to government departments and agencies.

Note 2 Significant Accounting Policies and Reporting Practices

(a) General

These financial statements have been prepared by management in accordance with generally accepted accounting principles with the exception of accrued costs incurred under defined benefit pension plans, employee disability plans and certain costs referred to in Note 5. These costs are accrued in the financial statements of the General Revenue Fund of the Province.

The precise determination of many assets and liabilities is dependent upon future events. Accordingly, the preparation of financial statements for a reporting period necessarily involves the use of estimates and approximations which have been made using careful judgment. Actual results could differ from those estimates. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Note 2 Significant Accounting Policies and Reporting Practices (cont'd)

(b) Amortization of Capital Assets

Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer hardware	3 to 6 years
Aircraft	5 to 24 years
Computer software	3 to 5 years
General equipment	5 to 10 years
IMAGIS software	5 years

(c) Revenue Recognition

Service revenue is recognized when the service is rendered. Cash received in advance of services rendered is recorded as unearned revenue.

Capital contributions are deferred and recognized as revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

(d) Change in Accounting Estimate

Effective April 1, 1997, the salvage value used in calculating aircraft amortization was changed from 20% to 50% of original costs. In 1998, net income and retained earnings increased by \$444 as a result of this change. This change is being accounted for prospectively.

(e) Inventories, Air Transportation

Effective April 1, 1996, the Fund is reporting Air Transportation inventory and spare capital assets. In 1998, inventories, Air Transportation and retained earnings increased by \$53 as a result of this change (1997 - inventories, Air Transportation and retained earnings increased by \$3,531 and capital assets and deferred capital contributions increased by \$968).

Note 3 Capital Assets

		1998		1997	
	Estimated Useful Life	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	3 - 6 years	\$ 22,014	\$ 15,577	\$ 6,437	\$ 2,854
Aircraft ⁽¹⁾	5 - 24 years	42,581	11,653	30,928	25,963
Computer software	3 - 5 years	12,920	12,235	685	3,353
General equipment	5 - 10 years	13,424	3,618	9,806	9,860
IM4GIS software ⁽²⁾	5 years	16,684	618	16,066	10,196
		<u>\$ 107,623</u>	<u>\$ 43,701</u>	<u>\$ 63,922</u>	<u>\$ 52,226</u>

(1) Aircraft includes a restatement of account for spare aircraft engines which were acquired from the Government of Canada at no cost. These engines have a fair value of \$968 and will be amortized when they are put into service. See Also Note 4.

(2) Integrated Management (Alberta Government) Information Systems ("IM4GIS") software includes all pre-development and development costs incurred by the Revolving Fund in the implementation of the government-wide system. It does not include \$3,100 (1997 - \$2,146) contributed by other government Ministries for Revolving Fund staff resources seconded to the project. Included in the cost and net book value of IM4GIS software is work in progress amounting to \$12,047 (1997 - \$10,196). IM4GIS software is comprised of various modules. The costs relating to each module are amortized once the module is put into service. As at March 31, 1998, the Accounts Payable and General Ledger modules have been put into service.

Note 4 Deferred Capital Contributions

In 1995, two CL 215 water bomber aircraft were acquired from the Government of Canada for one dollar each. The fair value of these aircraft has been capitalized with an offset recorded as deferred capital contributions. Spare aircraft engines with a fair value of \$968 have also been capitalized with an offset recorded as deferred capital contributions. These engines will be amortized when they are put into service.

	1998		1997	
	Fair Value	Accumulated Amortization	Deferred Capital Contribution	Deferred Capital Contribution
Water bomber aircraft	\$ 10,000	\$ 1,811	\$ 8,189	\$ 8,793
Spare aircraft engines	968	-	968	968
	\$ 10,968	\$ 1,811	\$ 9,157	\$ 9,761

Note 5 Operating Expenses

Accommodation, certain salaries and other administrative expenses incurred in the administration of the Revolving Fund have not been included in the Fund's expenditures. These costs are recorded by the General Revenue Fund of the Province and amount to approximately \$3,050 (1997 - \$2,988).

Note 6 Net Change in Working Capital

Net change in working capital comprises:

	1998	1997
Accounts receivable	\$ 6,438	\$ (1,348)
Inventories, Air Transportation	(53)	-
Inventories, postage	(396)	131
Prepaid expenses	(262)	(122)
Accounts payable and accrued liabilities	1,909	(162)
	<u>\$ 7,636</u>	<u>\$ (1,501)</u>

Note 7 Commitments

The aggregate amounts payable for contractual commitments are as follows:

1999	\$ 9,427
2000	3,986
2001	1,885
2002	300
Thereafter	-
	<u>\$ 15,598</u>

Note 8 Salary and Benefits Disclosure

Information on salary and benefits of the Fund's staff required under Treasury Board Directive 11-95 is included with information on the salary and benefits of staff of the Department of Public Works, Supply and Services in Schedule 6 of the Department's financial statements.

Note 9 Financial Instruments

The fair values of accounts receivable and accounts payable and accrued liabilities approximate their carrying values due to the short term nature of these items. The fair value of the advance from the General Revenue Fund approximates its carrying value due to common management control of the Revolving Fund and the General Revenue Fund.

Note 10 Uncertainty Due to the Year 2000

The year 2000 issue is the result of some computer programs being written using two digits rather than four to define the applicable year. Government computer programs that have date sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000, which could result in miscalculations or system failures. In addition, similar problems may arise in some systems if certain dates in 1999 are not recognized as a valid date or are recognized to represent something other than a date. The effects of the year 2000 issue may be experienced before, on, or after January 1, 2000. If not addressed, the effect on operations and financial reporting may range from minor errors to significant systems failure that could affect the ability to conduct some government operations.

The government is currently working to resolve the potential effect of the year 2000 on the processing of date sensitive information by the government's computerized information systems in a timely manner. The costs of addressing potential problems by modifying, replacing or retiring significant portions of computerized information systems are not expected to have a material adverse effect on the Province's financial condition. Despite the government's efforts to address this issue, it is not possible to be certain that all aspects of the year 2000 issue affecting the government, including those related to the efforts of customers, suppliers and other third parties, will be fully resolved.

Note 11 Budget

A budget of expenses by program for the Fund was included in the 1997-98 Government Estimates. A more detailed budget, prepared by management, has been included in these financial statements for comparison with the actual figures. The 1997-98 budget was approved by Treasury Board on December 5, 1996.

Note 12 Comparative Figures

The 1997 figures have been reclassified where necessary to conform to the 1998 presentation.

Note 13 Approval of Financial Statements

These financial statements have been approved by the Senior Financial Officer and the Deputy Minister

Public Works, Supply and Services Revolving Fund

Schedule to Financial Statements
Net Loss From Operations
For the year ended March 31, 1998

Schedule 1

(In thousands)

1998 Actual										1997 Actual
	Service Revenues	Sales	Contribution to IMAGIS	Total Revenue	Operating Expenses	Cost of Sales	Contribution to IMAGIS	Total Expenses	Net Revenues (Losses)	Net Revenues (Losses)
Information Technology	\$ 21,223	\$ -	\$ 3,100	\$ 24,323	\$ 25,456	\$ -	\$ 3,100	\$ 28,556	\$ (4,233)	\$ 850
Telecommunications	21,316	-	-	21,316	21,316	-	-	21,316	-	452
Air Transportation	5,050	-	-	5,050	5,579	-	-	5,579	(529)	(1,357)
Postage	-	3,108	-	3,108	-	3,108	-	3,108	-	-
	<u>47,589</u>	<u>3,108</u>	<u>3,100</u>	<u>53,797</u>	<u>52,351</u>	<u>3,108</u>	<u>3,100</u>	<u>58,559</u>	<u>(4,762)</u>	<u>(55)</u>
Inter-division eliminations	(23)	-	-	(23)	(23)	-	-	(23)	-	-
	<u>\$ 47,566</u>	<u>\$ 3,108</u>	<u>\$ 3,100</u>	<u>\$ 53,774</u>	<u>\$ 52,328</u>	<u>\$ 3,108</u>	<u>\$ 3,100</u>	<u>\$ 58,536</u>	<u>\$ (4,762)</u>	<u>\$ (55)</u>

INDEX OF ENTITIES IN MINISTRY ANNUAL REPORTS

Entities Included in the Consolidated Government Reporting Entity

<i>Ministry, Department, Fund or Agency</i>	<i>Ministry Annual Report</i>
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Agriculture, Food and Rural Development Revolving Fund	Agriculture, Food and Rural Development
Alberta Agricultural Research Institute	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Community Development
Alberta Dairy Control Board	Agriculture, Food and Rural Development
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Economic Development
Alberta Heritage Foundation for Medical Research Endowment Fund	Treasury
Alberta Heritage Savings Trust Fund	Treasury
Alberta Heritage Scholarship Fund	Treasury
Alberta Insurance Council	Treasury
Alberta Intermodal Services Ltd.	Treasury
Alberta Motion Picture Development Corporation	Economic Development
Alberta Municipal Financing Corporation	Treasury
Alberta Oil Sands Technology and Research Authority	Energy
Alberta Opportunity Company	Economic Development
Alberta Pensions Administration Corporation	Treasury
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council	Science, Research and Information Technology
Alberta Risk Management Fund	Treasury
Alberta School Foundation Fund	Education
Alberta Science and Research Authority	Science, Research and Information Technology
Alberta Securities Commission	Treasury
Alberta Social Housing Corporation	Municipal Affairs
Alberta Special Waste Management Corporation	Environmental Protection
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Treasury
ATB Investment Services Inc.	Treasury
Chembiomed Ltd. (in liquidation)	Treasury
Credit Union Deposit Guarantee Corporation	Treasury
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development

Entities Included in the Consolidated Government Reporting Entity-Continued

Ministry, Department, Fund or Agency

Ministry Annual Report

Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Community Development	Community Development
Department of Economic Development	Economic Development
Department of Education	Education
Department of Energy	Energy
Department of Environmental Protection	Environmental Protection
Department of Family and Social Services	Family and Social Services
Department of Justice	Justice
Department of Municipal Affairs	Municipal Affairs
Department of Public Works, Supply and Services	Public Works, Supply and Services
Department of Science, Research and Information Technology	Science, Research and Information Technology
Department of Transportation and Utilities	Transportation and Utilities
Department of Treasury	Treasury
Economic Development and Tourism Revolving Fund	Economic Development
Education Revolving Fund	Education
Environmental Protection and Enhancement Fund	Environmental Protection
Environmental Protection Revolving Fund	Environmental Protection
475342 Alberta Ltd. (in liquidation)	Treasury
Gainers Inc.	Treasury
Gas Alberta Operating Fund	Transportation and Utilities
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
Livestock Patrons' Assurance Fund	Agriculture, Food and Rural Development
Lottery Fund	Economic Development
Ministry of Advanced Education and Career Development *	Advanced Education and Career Development
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Ministry of Economic Development	Economic Development
Ministry of Education	Education
Ministry of Energy	Energy
Ministry of Environmental Protection	Environmental Protection
Ministry of Executive Council *	Executive Council
Ministry of Family and Social Services	Family and Social Services

Entities Included in the Consolidated Government Reporting Entity-Continued

<i>Ministry, Department, Fund or Agency</i>	<i>Ministry Annual Report</i>
Ministry of Health *	Health
Ministry of Intergovernmental and Aboriginal Affairs *	Intergovernmental and Aboriginal Affairs
Ministry of Justice	Justice
Ministry of Labour *	Labour
Ministry of Municipal Affairs	Municipal Affairs
Ministry of Public Works, Supply and Services	Public Works, Supply and Services
Ministry of Science, Research and Information Technology	Science, Research and Information Technology
Ministry of Transportation and Utilities	Transportation and Utilities
Ministry of Treasury	Treasury
N.A. Properties (1994) Ltd.	Treasury
Natural Resources Conservation Board	Environmental Protection
NFI Finance, Inc. (in liquidation)	Treasury
Persons with Developmental Disabilities Foundation	Family and Social Services
Public Works, Supply and Services Revolving Fund	Public Works, Supply and Services
S C Financial Ltd.	Treasury
Science and Research Fund	Science, Research and Information Technology
The Alberta Government Telephones Commission	Treasury
The Alberta Historical Resources Foundation	Community Development
The Government House Foundation	Community Development
The Wild Rose Foundation	Community Development
Transportation Revolving Fund	Transportation and Utilities
Treasury Revolving Fund	Treasury
Utility Companies Income Tax Rebates Fund	Treasury
Victims of Crime Fund	Justice

* Ministry includes only the department so separate department information is not necessary.

Entities Not Included in the Consolidated Government Reporting Entity

Fund or Agency

Ministry Annual Report

Alberta Cancer Board	Health
Alberta Heritage Foundation for Medical Research	Science, Research and Information Technology
Alberta Teachers' Retirement Fund Board	Education
Improvement Districts Trust Account	Municipal Affairs
Local Authorities Pension Plan	Treasury
Long-Term Disability Benefit Fund-Bargaining Unit	Advanced Education and Career Development
Long-Term Disability Benefit Fund-Management, Opted Out and Excluded	Advanced Education and Career Development
Management Employees Pension Plan	Treasury
Provincial Judges and Masters in Chambers Pension Plan	Treasury
Provincial Mental Health Advisory Board	Health
Public Post Secondary Institutions	Advanced Education and Career Development
Public Service Management (Closed Membership) Pension Plan	Treasury
Public Service Pension Plan	Treasury
Regional Health Authorities	Health
School Boards	Education
Special Areas Trust Account	Municipal Affairs
Special Forces Pension Plan	Treasury
Universities Academic Pension Plan	Treasury
Workers' Compensation Board	Labour



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